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PE 8-21-02

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the Year of, 2002

POSCO

(Translation of registrant's name into English)

POSCO Center, 892 Daechi 4-dong, Kangnam-gu, Seoul, Korea, 135-777

(Address of principal executive office)

[Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or  
Form 40-F. Form 20-F ☐ Form 40-F ☐ ]

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also  
thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of  
1934. Yes ☐ No ☐ ]

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) : 82-  
\_\_\_\_\_]

**SIGNITURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be  
signed on its behalf by the undersigned, thereunto duly authorized.

POSCO

(Registrant)

PROCESSED

AUG 27 2002

P THOMSON  
FINANCIAL

Date August 21, 2002

By   
(Signature)\*

\*Print the name and title under the signature of the signing officer.

Name: Jae-Ku Cho

Title: Head of IR Team

**GENERAL INSTRUCTIONS****A. Rule as to Use of Form 6-K:**

This form shall be used by foreign private issuers which are required to furnish reports pursuant to Rule 13a-16 or 15d-16 under the Securities Exchange Act of 1934.

**B. Information and Document Required to be Furnished.**

Subject to General Instruction D herein, an issuer furnishing a report on this form shall furnish whatever information, not required to be furnished on Form 40-F or previously furnished, such issuer(i) makes or is required to make public pursuant to the law of the jurisdiction of its domicile or in which it is incorporated or organized, or(ii) files or is required to file with a stock exchange on which its securities are traded and which was made public by that exchange, or(iii) distributes or is required to distribute to its security holders.

SEC1815(7-91)

# 35<sup>th</sup> INTERIM REPORT

(The 35<sup>th</sup> Fiscal Year)

From January 1, 2002 to June 30, 2002



THIS IS A TRANSLATION OF THE ANNUAL REPORT IN KOREAN LANGUAGE AND IN SUCH A FORM REQUIRED BY KOREAN SECURITIES SUPERVISORY BOARD.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

**posco**

# 35<sup>th</sup> INTERIM REPORT

(The 35<sup>th</sup> Fiscal Year)

From January 1, 2002 to June 30, 2002

To: Financial Supervisory Commission and Korea Stock Exchange

We hereby submit the Interim Report for the first quarter of the 35<sup>th</sup> fiscal year in accordance with the item 2 of Article 186 of Securities & Exchange Law.

Aug 20, 2002



Ku-Taek Lee  
President and Representative Director  
POSCO  
1, Koedong-dong, Pohang City, Kyongsangbuk-do, Korea  
Tel) 82-54-220-0114



Tae-Hyun Hwang  
Senior Vice President  
Tel) 82-2-3457-0114

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# I. Overview

## 1. Purpose of the Company

### A. Businesses engaged by the Company

| Items  | Details   |
|--|---|
| a. To manufacture, market, promote, sell and distribute iron, steel and rolled products  | Hot rolled Coils, Cold Rolled Coils<br>Stainless Steel, By-Products, etc. |
| b. To engage in harbor loading and unloading, transportation and warehousing businesses  | CTS   |
| c. To engage in leasing of real estate, and distribution businesses  | POSCO Center  |
| d. To engage in the supply of district heating business  |   |
| e. To engage in marine transportation, processing and sales of minerals within or outside Korea  |   |
| f. To engage in all other conduct, activities or businesses which are related directly or indirectly to the attainment and continuation of the foregoing purposes. |   |

### B. Businesses not engaged by the company

| Items   | Details  |
|---|--|
| a) To engage in the supply of LNG and power generation, as well as in the distribution business thereof |  |
| b) To engage in the management of professional athletic organizations                                   | - Two teams in Pohang and Kwangyang were transformed into regional professional soccer teams |

### C. Businesses engaged by the subsidiaries and Affiliates

| Items   | Details |
|---|---------|
| Pohang Coated Steel : Manufacturing and sales of coated steel sheets                      |         |
| Changwon Specialty Steel Co. : Production & sales of steel bar and steel pipe             |         |
| POSCON : Manufacturing and sales of electric controlling devices                          |         |
| POSREC : Manufacturing and sales of blast furnace and refractory bricks                   |         |
| POSCO Machinery Engineering : Maintenance and repair of steel plant machinery & equipment |         |
| POSCO Machinery Co. : Maintenance and repair of steel plant machinery & equipment         |         |
| POSCO Engineering & Construction : Construction and engineering                           |         |
| POS A.C. Architects & Engineering : Construction design                                   |         |
| POSCO Steel Sales & Service : Steel product sales and General trading                     |         |

|   |  |
|---|--|
| POSDATA : Development and sales of computer hardware and software |  |
| Seung Kwang : Development and operation of athletic facilities    |  |
| POSCO Research Institute : Research, consulting, education        |  |
| POSTECH Venture Capital Co. : Support of venture capital          |  |

## 2. Business Organization

### A. Headquarters, Steel Works and Offices

|                  |  |
|------------------|--|
| Headquarters     | 1. Koedong-dong, Pohang City, Kyongsang buk-do, Korea  |
| Steelworks       | Pohang Works : 5. Dongchon-dong, Nam-ku, Pohang City, Kyonsangbuk-do, Korea<br>Kwangyang Works : 700. Kumho-dong, Dong Kwangyang City, Chollanam-do, Korea                                       |
| Domestic Offices | Seoul Office : POSCO Center 892, Daichi-4 dong, Kangnam-ku, Seoul, Korea<br>Pusan Office : 10F Dongbang Bldg., 25. Chungang-dong 4-ga, Chung-ku, Pusan, Korea                                    |
| Overseas Offices | The Company is running 5 overseas offices (Beijing, Hanoi, Rio de Janeiro, Singapore, EU) for the purpose of collecting business information and supporting the Company's export/import business |
| Tokyo Branch     | POSCO Tokyo Bldg. 4F, 11-14, Ginza 5-Chome Chuo-Ku, Tokyo 104 Japan  |

### B. Significant Developments

|      |          |   |
|------|----------|---|
| 1968 | April    | Pohang Iron and Steel Co., Ltd. established   |
| 1970 | April    | 1st stage construction of Pohang Works begun  |
| 1973 | July     | 1st stage construction of Pohang Works completed (1.03 million ton per year(tpy) crude steel) |
| 1976 | March    | 2nd stage construction of Pohang Works completed (2.6 million tpy)                            |
| 1978 | December | 3rd stage construction of Pohang Works completed (5.5 million tpy)                            |
| 1981 | February | 4th stage construction of Pohang Works completed (8.5 million tpy)                            |
| 1983 | May      | 2nd phase of the 4th stage construction of Pohang Works completed (9.1 million tpy)           |
| 1985 | March    | 1st stage construction of Kwangyang Works begun   |
| 1986 | April    | USS-POSCO Industries (UPI) in Pittsburgh, California, USA established                         |
|      | December | Pohang University of Science & Technology (POSTECH) founded                                   |
| 1987 | March    | Research Institute of Industrial Science & Technology (RIST) founded                          |
|      | May      | 1st stage construction of Kwangyang Works completed (11.8 million tpy)                        |
| 1988 | June     | POSCO stock listed on the Korea Stock Exchange  |
|      | July     | 2nd stage construction of Kwangyang Works completed (14.5 million tpy)                        |
| 1990 | December | 3rd stage construction of Kwangyang Works completed (17.5 million tpy)                        |
| 1992 | October  | 4th stage construction of Kwangyang Works completed (20.8 million tpy)                        |
| 1993 | December | ISO 9002 certification acquired   |
| 1994 | June     | POSCO Research Institute (POSRI) founded  |

|      |          |  |
|------|----------|--|
|      | October  | New York Stock Exchange (NYSE) listing   |
| 1995 | October  | POSCO's ADRs listed on LSE   |
|      | November | Completed Construction of COREX  |
|      | October  | #5 blast furnace construction in Kwangyang Works begun and #1 Mini Mill completed (23.44M) |
| 1997 | March    | Introduced Outside Directors   |
| 1997 | August   | #4 Cold Rolling Mill in Kwangyang Works completed  |
| 1998 | April    | 30th Anniversary of establishment  |
| 1999 | March    | Completed construction of #5 Blast Furnace (28.0 million ton)                              |
| 2000 | April    | Start the operation of #5 Blast Furnace  |
|      | October  | Completion of Privatization  |
| 2001 | July     | Launched PI (or POSPIA - Integrated Management system) system                              |
| 2001 | July     | Implemented Stock-Option   |
| 2002 | March    | Adopted new company name as "POSCO"  |

### C. Change in the largest shareholder

- From the 'Industrial Bank of Korea' to 'POSTECH.'
- Date of Disclosure: July 27, 2001

### D. Change in the company name

- Pohang Iron & Steel Co. Ltd., → POSCO
- Effective Date: March 15, 2002

### E. POSCO Conglomerate

#### (1) Overview of Business Group

Criteria: To prevent abuse of market-dominant position and concentration of economic power as well as stimulate free competition, every April the Korea Fair Trade Commission designates the top 30 Business Group among the same domestic Business Group based on the largest total asset of the previous business year as Large Business Group.

#### (2) Company of Business Group

Company with single shareholder or relation of the shareholder owning more than 30% of stakes. Or company with single shareholder having de facto control of business

POSCO Group:

The Korea Fair Trade Commission designated POSCO as a Large Business Group in 2001 (April 2, 2001)

POSCO Group (15 companies) with total asset of 20,835 billion won designated as ninth largest group

POSEC, POSTEEL, Changwon Specialty Steel, POSDATA, POS-AC, POSCON, POSMEC.

(3) Related laws and regulations (Fair Trade Law)

Article 9-① Prohibition on Cross Share-holdings

No corporation belonging to a Business Group shall acquire or own any shares of any Affiliated Corporations, which have acquired or own some of its shares

Article 10 Ceiling on Total Amount of Equity Investment

No corporation belonging to a Large Business Group shall acquire or own shares in other domestic companies whose sum of acquisition value exceeds twenty-five percent (25%) of the net assets of the corporation. Corporation belonging to a newly designated Business Group shall liquidate acquisition value within one (1) year of the date of above designation.

Article 10-2 Prohibitions on Debt Guarantees for Affiliated Corporations

No corporation shall provide new debt guarantees for its domestic Affiliated Corporations. Existing debt guarantees for domestic Affiliated Corporations shall be liquidated within one (1) year of the date of designation.

Article 9-3 Prohibition on owning shares of domestic Affiliated Corporation

No Affiliated Corporation of a Large Business Group established as a corporation for investing in Small-and-Medium Enterprises pursuant to the Support of Small-and-Medium Enterprise Start-up Act, shall acquire or own shares of a domestic Affiliated Corporation.

(POSTECH Venture Capital Corp. subjected to above clause)

Article 11 Restrictions on the Voting Rights of Finance or Insurance Companies

No finance or insurance corporation belonging to a Large Business Group shall exercise its voting rights.

Article 11-2 Decision of Large-scale Intra-group Transactions by Board of Directors and Notification thereof

When a corporation belonging to a business group desires to engage in any type of transactions and when the volume of such transactions exceeds the ceiling of ten% (10%) of asset, is over 10 billion won or is in the form of securities, the directors' board of the said corporation shall reach a decision thereon and make

a notification thereof.

Korea Fair Trade Commission (KFTC) designates the 30 largest conglomerates based upon the previous year's asset to promote competition and to prevent economic concentration.

POSCO has been designated at 7<sup>th</sup> conglomerate at April 2, 2001.

### 3. Equity Capital

#### A. New Issue of Registered Form Common Stock with Face Value of Won 5,000

| Date  | October 22, 1994                    | February 25, 1998                 | May 20, 1998                        |
|---|-------------------------------------|-----------------------------------|-------------------------------------|
| Purpose   | DR issuance                         | DR issuance                       | DR issuance                         |
| Number of Newly-issued Shares                   | 2,112,676 shares<br>(8,450,704 DRs) | 655,738 shares<br>(2,622,952 DRs) | 1,923,077 shares<br>(7,692,308 DRs) |
| Issue Price Per Share                           | ₩114.142 (US\$ 142)                 | ₩122.655 (US\$76.25)              | ₩73.856 (US\$52)                    |
| Equity Capital('000 Won)<br>After the New Issue | ₩469,509,050                        | ₩472,787,740                      | ₩482,403,125                        |
| Rate of Increase in Equity Capital              | 2.3%                                | 0.7%                              | 2.0%                                |

#### B. Convertible Bonds

No relevant data.

#### C. Bonds with Warrant

No relevant data

### 4. Other information regarding Shares

#### A. Total number of shares

(As of June 30, 2002)

| Authorized Shares | Outstanding Shares | Shares to be issued |
|-------------------|--------------------|---------------------|
| 200,000,000       | 93,589,485         | 106,410,515         |

## B. Outstanding Shares

(As of June 30, 2002)

| Type                     | Number of shares | Amount (thousand won) |
|--------------------------|------------------|-----------------------|
| Registered Common Shares | 93,589,485       | 467,947,425           |
| Total                    | 93,589,485       | 467,947,425           |

## C. Treasury Stock Holdings

(Shares, KRW)

| Time of purchase      | Type              | Number of Shares | Value             |
|-----------------------|-------------------|------------------|-------------------|
| Before Dec. 1999      | Registered Common | 4,677,646        | 456,347,847,340   |
| Feb 29, 2000 ~ May 18 | "                 | 4,824,030        | 521,435,498,740   |
| June 14, 2000         | "                 | 2,891,140        | 310,839,507,660   |
| October 4, 2000       | "                 | 2,161,180        | 171,597,692,000   |
| August 30, 2001       | Cancellation      | 2,891,140        | 290,070,967,340   |
| Total                 |                   | 11,662,856       | 1,170,149,578,403 |

## D. Treasury Stock purchased by fund management institutes under the trust contract

As of December 30, 2001

(KRW, Shares)

| Date          | Name of the institute    | Amount         | Number of Shares |
|---------------|--------------------------|----------------|------------------|
| Nov. 19, 1993 | Korea Investment Trust   | 3,093,927,531  | 103,650          |
| Nov. 19, 1993 | Daehan Investment Trust  | 3,653,406,000  | 72,000           |
| Nov. 19, 1993 | Hyundai Investment Trust | 3,040,756,831  | 54,754           |
| Oct. 23, 1995 | Hyundai Investment Trust | 5,466,347,689  | 72,466           |
| Total         |                          | 15,254,438,051 | 302,870          |

## E. Shares held by ESOA (Employee Stock Ownership Association)

| Type              | Beginning | Increase | Decreased | Balance |
|-------------------|-----------|----------|-----------|---------|
| Registered Common | 44,960    | -        | 5,060     | 39,900  |
| Total             | 44,960    | -        | 5,060     | 39,900  |

# F. Stock option

| Date of Grant | Name                | Number of Share | Exercising Period                | Exercising Price |
|---------------|---------------------|-----------------|----------------------------------|------------------|
| July 23, 2001 | Sang-Boo Yoo        | 100.000         | July 24, 2003 ~<br>July 23, 2008 | KRW 98,400       |
|               | Ku-Taek Lee         | 50.000          |                                  |                  |
|               | Young-Woon Kim      | 20.000          |                                  |                  |
|               | Moon-Soo Park       | 20.000          |                                  |                  |
|               | Chang-Oh Kang       | 20.000          |                                  |                  |
|               | Soo-Yang Han        | 15.000          |                                  |                  |
|               | Won-Pyo Lee         | 15.000          |                                  |                  |
|               | Kwang-Woong Choi    | 12.000          |                                  |                  |
|               | Choong-Sik Shin     | 12.000          |                                  |                  |
|               | Jung-Won Kim        | 12.000          |                                  |                  |
|               | Seong-Yong Shin     | 12.000          |                                  |                  |
|               | Chung-U Park        | 10.000          |                                  |                  |
|               | Won-Chul Hwang      | 10.000          |                                  |                  |
|               | Sung-Hwan Kim       | 10.000          |                                  |                  |
|               | Tae-Hyun Hwang      | 10.000          |                                  |                  |
|               | Yong-Keun Kim       | 10.000          |                                  |                  |
|               | Kwang-Hee Han       | 10.000          |                                  |                  |
|               | Dong-Jin Kim        | 10.000          |                                  |                  |
|               | Soo-Chun Shin       | 10.000          |                                  |                  |
|               | Moon-Chan Ko        | 10.000          |                                  |                  |
|               | Chin-Choon Kim      | 10.000          |                                  |                  |
|               | Youn Lee            | 10.000          |                                  |                  |
|               | Kyeong-Ryul Ryoo    | 10.000          |                                  |                  |
|               | Seong-Sik Cho       | 10.000          |                                  |                  |
|               | Byung-Hoon Kim      | 10.000          |                                  |                  |
|               | Jong-Tae Choi       | 10.000          |                                  |                  |
|               | Hwang-Kyu Hwang     | 10.000          |                                  |                  |
|               | Song Kim            | 10.000          |                                  |                  |
|               | Woo-In Lee          | 10.000          |                                  |                  |
|               | Ung-Suh Park        | 2.500           |                                  |                  |
|               | Jae-Young Chung     | 2.500           |                                  |                  |
|               | Guil-Soo Shin       | 2.500           |                                  |                  |
|               | Jong-Won Lim        | 2.500           |                                  |                  |
|               | Samuel F. Chevalier | 2.500           |                                  |                  |
|               | Soon Kim            | 2.500           |                                  |                  |

|                  |                 |         |                                    |  |
|------------------|-----------------|---------|------------------------------------|--|
|                  | Woo-Hee Park    | 2.500   |                                    |  |
|                  | Dae-Wook Yoon   | 2.500   |                                    |  |
|                  | Sub total       | 498.000 |                                    |  |
| April 27<br>2002 | Jong-Doo Choi   | 10.000  | April 28, 2004<br>~ April 27, 2009 |  |
|                  | Joon Yang Chung | 10.000  |                                    |  |
|                  | Chang-Ho Kim    | 10.000  |                                    |  |
|                  | Nam Suk Hur     | 10.000  |                                    |  |
|                  | Chang-Kwan Oh   | 10.000  |                                    |  |
|                  | Jeon-Young Lee  | 10.000  |                                    |  |
|                  | Sub total       | 60.000  |                                    |  |
| Total            |                 | 558.000 |                                    |  |

## 5. Voting Rights

As of December 30, 2001

|  | Number of shares | Remarks  |
|--|------------------|--|
| 1. Shares with voting rights [a-b]                           | [93,589,485]     |  |
| a. Number of outstanding shares                              | 93,589,485       |  |
| b. Number of shares without voting rights                    | 0                |  |
| 2. Shares with restricted voting rights [ a + b + c + d ]    | [11,905,610]     |  |
| a. Restriction by Code of Commerce                           | 11,905,610       | Treasury Stock &<br>Stock under trust contract |
| b. Restriction by Securities Exchange Law                    | 0                |  |
| c. Restriction by Fair Trade Law                             | 0                |  |
| d. Restriction by other regulations                          | 0                |  |
| 3. Shares whose voting rights have been restored             |                  |  |
| Shares which can exercise voting rights [1- 2 + 3]           | [81,683,875]     |  |
| ※ Attendance in 34 <sup>th</sup> Annual Shareholders Meeting | 52,674,200       |  |

## 6. Earnings and Dividend for the past five fiscal years

(Million Won)

|  | The 34 <sup>th</sup> | The 33 <sup>rd</sup> | The 32 <sup>nd</sup> | The 31 <sup>st</sup> | The 30 <sup>th</sup> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net Profit                               | 819,319              | 1,636,991            | 1,558,032            | 1,123,867            | 728,983              |
| EPS (Won)                                | 10.043               | 19.170               | 16.242               | 11.968               | 7.826                |
| Net Profit Available for Dividend Payout | 759,120              | 1,946,837            | 1,479,586            | 1,218,466            | 730,157              |
| Cash Dividend Paid (Payable)             | 204,048              | 204,704              | 159,920              | 117,554              | 92,346               |
| Pay-out Ratio                            | 24.90%               | 12.50%               | 10.26%               | 10.47%               | 12.67%               |
| Dividend per share (Won)                 | 2,500                | 2,500                | 1,750                | 1,250                | 1,000                |
| Cash Dividend Rate                       | 50%                  | 50%                  | 35%                  | 25%                  | 20%                  |
| Dividend Yield                           | 2.23%                | 3.27%                | 1.4%                 | 1.94%                | 2.18%                |
| Net asset per share (Won)                | 116,516              | 108,450              | 96,951               | 86,245               | 73,274               |
| Recurring Profit per share (Won)         | 10,043               | 11,155               | 12,257               | 12,165               | 7,944                |

## II. Business

### 1. Overview

#### A. Industry

Steel prices which was the lowest point in the last year due to the imbalance and retreated economy have bounced back since the 1Q 2002 and will increase further in 2Q 2002. This recovery of the prices came from the restoration of the supply – demand balance.

The main reasons for the balance restoration are the production reduction by the countries including Japan and close the inefficient facility in US and Europe. And the favorable domestic economy in steel exporting country, Russia, and the expectation of the US economy recovery make increase the steel demand further.

The steel demand industries, which maintained a certain level of inventory during the slow economy increase the production and secure the steel input.

The restoration of the balance and the decrease in inventory caused the rising price in 1<sup>st</sup> half of this year and this trend will continue to the 3<sup>rd</sup> quarter.

But the Section 201 induced a trade barrier by many countries and made the most difficult trade condition for the 1<sup>st</sup> half of the year. The steel prices, however, has rising in the countries which imposed an import tariff and a favorable economy condition.

Domestically, the higher consumption and investment, and an increasing export help the economy to recover and price to take back to the certain level.

Automobile industry hit the history high production and sales thanks to the lower the taxes. Home appliance industry shows the good tendency aided by 'World Cup' marketing. The construction and shipbuilding industries continue to be in good shape based on enough order.

Domestic steel price started to increase followed by the higher international price and economy recovery. The company increased price of plate in March and of HR and CR in April. Most of the steel companies in Korea plan to raises the price in 3<sup>rd</sup> quarter. These give better perspective of the steel price during the 2<sup>nd</sup> half of the year.

#### B. The Company

##### (1) Review of operation and breakdown of business

###### (a) Review of operation

The production of crude steel was decreased by 281 thousand tons to 13,696 thousand tons and the steel product was also decreased by 470 thousand tons to 12,414 thousand tons in 1H 2002 due to the maintenance and refurbishment of number 1 blast furnace in Kwangyang Works.

And the total sales volume was 13,307 thousand tons which was divided to the domestic and abroad 10,203 thousand tons and 3,104 thousand tons respectively. And the ratio of export was decreased to 23.3%.

Though the steel price has risen since 2Q 2002, an average price in 1<sup>st</sup> half of this year is lower than the same period of the last year. These bottom price and slow sales causes operating income to be down to 606 billion won and ordinary income to be dampened to 109 billion won.

Total asset was increased by 219 billion won to 17,433 billion won. And the debt ratio was decreased to 55.6% and was one of the lowest ratio among the domestic companies.

The company was refurbishing the #1 furnace in Kwangyang Works from March to June. And this expanded the furnace's capacity from 3,800m<sup>3</sup> to 3,950m<sup>3</sup> as well as the life span.

The company has an expansion plan for the subsidiaries in China for increase in high value-added product. POSCO currently has investment in three steel mills in China - (1) Zhangjiagang where POSCO will expand the production of stainless cold-rolled steel to 280,000 tons, (2) Dalian color steel plate manufacturing plant to expand capacity to 150,000 tons, and (3) Sundai electric color steel plant to increase capacity to 100,000 tons.

And the company decided to make a joint venture in Western Australia with BHP Billiton and Mitsui for secure the raw material. This investment named POSMAC was established by POSCO and BHP based on the 20% and 65% owner structure. This investment will be securing 3 million tons in iron ore supply annually for 25 years.

The company introduced the ESOP (Employee Stock Ownership) to heighten the employee's morale and corporate value as a shareholder.

The successful deployment of POSPIA, integrated management system, in July and the completion of Phase 1 of the company-wide process innovation (PI) initiative, which included all business processes from sales to procurement and financing, were a major achievements recorded in 2001.

In Phase 2 of PI, the company concentrate on the activity based costing, customer related management and supply related management. And POSCO introduced 6 sigma for the management innovation, in Phase 2 of PI.

The company's credit rating was raised from 'Baa2-Stable' to 'Baa2-Positive' by Moody's at July 4, 2002, which implies that the credit rating will increase in near future.

(b) Breakdown of businesses for disclosure  
N.A.

(2) Market Share

| (Million Tons, %) |                     |           |                      |           |                      |           |
|-------------------|---------------------|-----------|----------------------|-----------|----------------------|-----------|
|                   | 35 <sup>th</sup> 1H |           | The 34 <sup>th</sup> |           | The 33 <sup>rd</sup> |           |
|                   | Fiscal Year         | Share (%) | Fiscal Year          | Share (%) | Fiscal Year          | Share (%) |
| Steel Production  | 21.5                | 100       | 43.8                 | 100       | 43.6                 | 100       |
| POSCO             | 13.7                | 64        | 27.8                 | 64        | 27.7                 | 64        |
| Others            | 7.8                 | 36        | 16.0                 | 36        | 15.9                 | 36        |

(3) Market Characteristics

(a) End users of steel consist of national strategic industries such as automobile, shipbuilding and home appliances. And POSCO tries to supply good quality steel to the end users for prosperity of both of them.

(b) Order-production-sales system has been set up to satisfy user's diverse needs and to secure stable operation.

(c)

(4) New businesses

N.A.

## 2. Major Products and Raw Materials

### A. Sales Mix

(Billion Won)

|                       | Uses                                    | Sales | Sales Mix |
|-----------------------|---|-------|-----------|
| HR Products           | Steel Pipe.<br>Shipbuilding, Containers | 2,528 | 46%       |
| CR Products           | Automobiles, Home Electronics           | 1,949 | 36%       |
| STS Products          | Home Appliances                         | 925   | 27%       |
| Byproducts and Others | Cement, Pavement                        | 63    | 1%        |
| Total                 |   | 5,465 | 100%      |

### B. Price Movements of Major Products

|             |                    | 2002 1H | 2001    | 2000    |
|-------------|--------------------|---------|---------|---------|
| HR Products | Domestic (Won/Ton) | 297,427 | 287,894 | 309,724 |
|             | Export (Won/Ton)   | 275,601 | 277,388 | 311,775 |
| CR Products | Domestic (Won/Ton) | 391,717 | 386,922 | 423,541 |
|             | Export (Won/Ton)   | 333,494 | 367,100 | 420,051 |

#### (1) Calculation Method

- Average product prices calculated from sales divided by tons sold, excluding freight revenue.

#### (2) Major causes of price fluctuation

- Total production of steel consuming industries in both domestic and foreign market and the over-capacity in steel industry have caused the low steel price in 2001.

### C. Raw Materials

(Million Won)

| Item     | Uses   | Total Costs | Share  | Major Supplying Countries |
|----------|--|-------------|--------|---------------------------|
| Iron Ore | Steel Input                                      | 649,873     | 29.60% | Australia, Brazil         |
| Coal     | Energy Source                                    | 583,574     | 26.58% | Australia, Canada         |
| Others   | Inputs for STS Steel,<br>Coated Steel and others | 961,950     | 44.82% |                           |
| Total    |  | 2,195,397   | 100%   |                           |

## D. Price Movements of Major Raw Materials

| (Won/Ton)   |           |           |            |
|-------------|-----------|-----------|------------|
| Item        | 2002 1H   | 2001      | 2000       |
| Iron Ore    | 32.876    | 33.261    | 29.310     |
| Coal        | 63.078    | 61.832    | 52.411     |
| Steel Scrap | 146.533   | 145.411   | 136.076    |
| Nickel      | 8,145.448 | 7,913.810 | 10,194.847 |

(1) Price is the sum of CIF price, customs duties, unloading expenses incurred on average for each ton of total purchased volumes.

(2) Major price change

(a) Iron Ore

- Price trends(C&F): US\$25.6/ton ('00)→US\$25.14/ton('01)→US\$24.61/ton (2002 1H)

(b) Coal

- Price trends (C&F): US\$44.9/ton ('00)→US\$46.52/ton ('01)→US\$47.55/ton(2002 1H)

(c) Scrap

- Price trends(CIF) : US\$122 ('00) →US\$110('01) →US\$109.09/ton(2002 1H)

(d) NICKEL

- Price trends: US\$3.92/LB ('00) → US\$2.70/LB ('01) →US\$2.98/LB(2002 1H)

## 3. Production and Facilities

### A. Production capacity

| (Thousand Ton)  |         |        |        |
|-----------------|---------|--------|--------|
|                 | 2002 1H | 2001   | 2000   |
| Pohang Works    | 6,100   | 12,200 | 12,200 |
| Kwangyang Works | 7,900   | 15,800 | 15,800 |
| Total           | 14,000  | 28,000 | 28,000 |

- Pohang Works : #1 Steel Making (2,600) + #2 Steel Making (8,400) + STS (1,200) = 12,200

- Kwangyang : #1 Steel Making (6,800) + #2 Steel Making (7,200) + Minimill (1,800) = 15,800

- Total = 28,000 thousand tons

※ Based on actual capacity revised on April, 1999

## B. Production and Capacity Utilization Rate

(1) Production

(Thousand Ton)

|  |                          |                              | 2002 1H       | 2001          | 2000          |
|--|--------------------------|------------------------------|---------------|---------------|---------------|
|  |                          | Pohang                       | 6.039         | 12.042        | 12.354        |
|  |                          | Kwangyang                    | 7.657         | 15.784        | 15.381        |
|  |                          | <b>Crude Steel</b>           | <b>13.697</b> | <b>27.826</b> | <b>27.735</b> |
|  | Plate                    | Pohang                       | 1.540         | 3.069         | 3.106         |
|  | HR Products              |                              | 4.552         | 9.770         | 9.349         |
|  |                          | Pohang                       | 1.570         | 3.471         | 3.175         |
|  |                          | Kwangyang                    | 2.982         | 6.299         | 6.174         |
|  | CR Products              |                              | 4.253         | 8.736         | 9.148         |
|  |                          | Pohang                       | 792           | 1,533         | 1,710         |
|  |                          | Kwangyang                    | 3,461         | 7,203         | 7,438         |
|  | STS                      | Pohang                       | 621           | 1,228         | 1,212         |
|  | Others                   | Pohang                       | 1,413         | 2,970         | 2,931         |
|  |                          | Kwangyang                    | 36            | 228           | 115           |
|  | Pohang                   |                              | 5,936         | 12,092        | 12,134        |
|  | Kwangyang                |                              | 6,479         | 13,730        | 13,728        |
|  | <b>Finished Products</b> |                              | <b>12,414</b> | <b>25,822</b> | <b>25,862</b> |
|  |                          | Pohang                       | 228           | 490           | 335           |
|  |                          | Kwangyang                    | 514           | 927           | 705           |
|  |                          | <b>Intermediate Products</b> | <b>742</b>    | <b>1,416</b>  | <b>1,040</b>  |
|  |                          | Pohang                       | 6,164         | 12,582        | 12,469        |
|  |                          | Kwangyang                    | 6,993         | 14,656        | 14,433        |
|  |                          | <b>Total Products</b>        | <b>13,157</b> | <b>27,238</b> | <b>26,902</b> |

(2) Capacity Utilization Rate for 2002 1H in Terms of Crude Steel Production

(Thousand Ton)

|                 | Capacity | Production | Utilization Rate |
|-----------------|----------|------------|------------------|
| Pohang Works    | 6,100    | 6,039      | 99.0%            |
| Kwangyang Works | 7,900    | 7,657      | 96.9%            |
| Total           | 14,000   | 13,697     | 97.8%            |

- Utilization Rate = Production/Real Production Capacity.

## C. Production Facilities

### (1) Book Value of Fixed Assets

| (Million Won)         |                           |         |              |                        |
|-----------------------|---------------------------|---------|--------------|------------------------|
|                       | Beginning Book<br>Balance | Change  | Depreciation | Ending Book<br>Balance |
| Pohang                | 3,483.655                 | 382.388 | 280.354      | 3,585.619              |
| Land                  | 415.513                   | - 3.955 |              | 411.558                |
| Building              | 945.232                   | 12.804  | 27.602       | 930.434                |
| Structures            | 385.197                   | 14,314  | 12.734       | 386.777                |
| Machinery & Equipment | 1,686,231                 | 363,021 | 232,256      | 1,816,996              |
| Vehicles              | 13,321                    | 735     | 1,930        | 12,126                 |
| Tools and Fixtures    | 9,551                     | 148     | 2,649        | 7,050                  |
| Furniture & Others    | 28,610                    | - 4,679 | 3183         | 20,678                 |
| Kwangyang             | 3,931.862                 | 446.662 | 329.090      | 4,049.444              |
| Land                  | 379.776                   | - 16    |              | 379.760                |
| Building              | 946,415                   | 6,505   | 33,537       | 919,383                |
| Structures            | 557,844                   | 15,841  | 21,644       | 552,041                |
| Machinery & Equipment | 2,026,088                 | 424,713 | 268,465      | 2,182,336              |
| Vehicles              | 4,155                     | 341     | 1,949        | 2,547                  |
| Tools and Fixtures    | 7,565                     | 932     | 1,961        | 6,536                  |
| Furniture & Others    | 10,019                    | - 1,654 | 1,534        | 6,841                  |
| Total                 | 7,415,517                 | 829,050 | 609,444      | 7,635,063              |

### (2) Major Capital Expenditures

#### (a) Investments under construction

| (Hundred million Won)  |                        |                     |                                 |                          |
|--|------------------------|---------------------|---------------------------------|--------------------------|
| Project  | Construction<br>Period | Total<br>Investment | Invested<br>Amount<br>(1H 2002) | Amount to<br>Be invested |
| <b>Expansion</b>   |                        | 8,516               | 3,949(2,161)                    | 4,567                    |
| (P) STS HR capacity expansion                                  | '01.07-'03.05          | 5,347               | 1,746(1,127)                    | 3,601                    |
| (P) Finex Demo Plant installation                              | '01.1-'03.6            | 1,212               | 473(397)                        | 739                      |
| (P) #4-2 CDQ installation                                      | '00.11-'02.04          | 485                 | 485(67)                         |                          |
| (P) #1 Continuous Casting Bloom<br>Cutting System installation | '00.12-'02.11          | 755                 | 582(311)                        | 173                      |
| (K) #2 Cokes CDQ installation                                  | '01.5-'02.10           | 717                 | 663(259)                        | 54                       |

|   |               |        |              |       |
|---|---------------|--------|--------------|-------|
| <b>Maintenance</b>                              |               | 5.521  | 3.933(1.334) | 1.861 |
| (K) #3 HR POL rationalization                   | '01.10-'02.5  | 124    | 117(46)      | 7     |
| (K) #1.2 steel making parts replacement         | '00.3-'02.3   | 135    | 114(23)      | 21    |
| (K) #2 Hot rolling rationalization              | '00.09-'02.07 | 1.434  | 1.224(369)   | 210   |
| (P) Wire Rod rationalization                    | '01.01-'02.06 | 1.114  | 1.046(448)   | 68    |
| (P) Facility for iron supply to minimill        | '02.1-'02.9   | 417    | 123(116)     | 294   |
| (K) #1 Furnace maintenance                      | '02.3-'02.6   | 1.743  | 1.626(977)   | 177   |
| (P) #4-2 Chemical disposal facility heightening | '01.08-02.10  | 268    | 243(175)     | 26    |
| Total   |               | 14.033 | 8.481(4.335) | 5.553 |

(b) Planned investments

(Hundred Million Won)

| Project                                 | Total Amount | 2002   | 2003   | 2004   |
|---|--------------|--------|--------|--------|
| (P) #3.4 Sinter Line                    | 831          | 70     | 417    | 299    |
| (P) #1 CR rationalization               | 898          | 172    | 319    | 333    |
| (P) Lime calcinations rationalization   | 327          | 194    | 47     | 71     |
| (P) EGL line rationalization            | 166          | 130    | 36     | -      |
| (P) Others                              |              | 10,658 | 6,735  | 8,227  |
| (K) #1 CC line                          | 960          | 655    | 257    |        |
| (K) LNG terminal                        | 3,561        | 346    | 1,571  | 1,513  |
| (K) #2 Furnace maintenance              | 1,743        | 121    | 54     | 427    |
| (K) #3 HR specialization for automobile | 189          | 21     | 205    | 263    |
| (K) #2 CC remodeling                    | 984          | -      | 64     | 920    |
| (K) Others                              |              | 5,371  | 3,403  | 3,632  |
| Total                                   |              | 17,738 | 13,108 | 15,686 |

## 4. Sales

### A. Breakdown of Steel Product Sales

(Thousand Ton, Hundred Million Won)

|                            |          | 1H 2002 |        | 1Q 2001 |        | 2001   |         |
|----------------------------|----------|---------|--------|---------|--------|--------|---------|
|                            |          | Volume  | Amount | Volume  | Amount | Volume | Amount  |
| Hot Rolled<br>Products     | Domestic | 6.921   | 22.042 | 7.010   | 22.054 | 14.999 | 47.147  |
|                            | Export   | 1.080   | 3.241  | 1.384   | 4.266  | 2.804  | 8.431   |
|                            | Total    | 8.001   | 25.283 | 8.394   | 26.300 | 17.803 | 55.605  |
| Cold<br>Rolled<br>Products | Domestic | 2.847   | 12.558 | 2.615   | 11.622 | 4.744  | 21.551  |
|                            | Export   | 1.828   | 6.929  | 1.962   | 8.207  | 3.326  | 14.306  |
|                            | Total    | 4.675   | 19.487 | 4.577   | 19.829 | 8.070  | 35.857  |
| Stainless<br>Steel         | Domestic | 435     | 6.473  | 396     | 5.953  | 814    | 12.384  |
|                            | Export   | 195     | 2.778  | 228     | 3.267  | 425    | 6.088   |
|                            | Total    | 630     | 9.251  | 624     | 9.220  | 1,239  | 18.472  |
| Others                     | Domestic | -       | 634    | -       | 588    |        | 1,183   |
|                            | Export   | -       | -      | -       | -      |        |         |
|                            | Total    | -       | 634    | -       | 588    |        | 1,183   |
| Total                      | Domestic | 10.203  | 41.706 | 10.021  | 39.629 | 20.557 | 82.291  |
|                            | Export   | 3.103   | 12.948 | 3.574   | 15.740 | 6.555  | 28.826  |
|                            | Total    | 13.306  | 54.654 | 13.595  | 55.349 | 27.112 | 111.117 |
| Discount                   |          | -       | -110   | -       | -142   |        | -256    |
| Grand Total                |          |         | 54.544 | 13.302  | 55.795 | 27.112 | 110.861 |

- Export includes local export sales

### B. Marketing organization, channel and strategy

#### (1) Organization

Hot Rolled Steel Sales Dept., Cold Rolled Steel Sales Dept., Automotive & Electrical Flat Products  
Sales Dept., Coated Steel Sales Dept., Stainless Steel Sales Dept.

#### (2) Sales Channel

i) Direct sales : POSCO → Customers

ii) Indirect Sales

- Domestic market : Sales agents, e-sales or POSTEEL

- Overseas Market : General Trading Companies

#### (3) Sales Condition

- Domestic Sales : Credit sales based on production to order

- Export Sales : Sales based on irrevocable Letter of Credit

(4) Sales strategies

- o Change marketing strategy toward higher profits
  - Enhance sales mix focused on profitability
  - Increase sales of high value-added products and differentiate each market based on the customer.
- o Secure Domestic market share and diversification of export market
  - Increase market share at domestic competing products
  - Secure stable export market and focus on high value-added products
  - Increase on time delivery rate
- o Strengthen marketing focused on customer oriented
  - Increase customers' satisfaction
  - Strengthen the technology service to the customers to support the quality competence

## 5. Orders Received

Please refer to 4. A. Breakdown of Steel Product Sales

- Ordered volume is similar to sales volume because the company produces and sales based on orders

## 6. Related to the Derivatives

### A. Foreign Exchange Position

(Unit: Thousand)

| Nation    | Currency |      | Current Position |         |           | Future Position |        |        |
|-----------|----------|------|------------------|---------|-----------|-----------------|--------|--------|
|           |          |      | Position         | Assets  | Debt      | Position        | Assets | Debt   |
| USA       | \$       | USD  | - 1,386,002      | 248,804 | 1,634,806 | 33,680          | 33,680 |        |
| Japan     | ¥        | JPY  | - 745,292        | 11,032  | 756,324   | - 36,839        |        | 36,839 |
| Germany   |          | DEM  |                  |         |           |                 |        |        |
| UK        | £        | GBP  | - 277            | 710     | 43,859    |                 |        |        |
| Euro land |          | EURO |                  |         |           |                 |        |        |
| Others    |          |      |                  |         |           |                 |        |        |
| Total     | Buy      |      |                  |         |           | 33,680          | 33,680 |        |
|           | Sell     |      |                  |         |           | -36,839         |        | 36,839 |
|           | Position |      | - 2,174,720      |         |           | -3,159          |        |        |

(Unit: Thousand)

| Nation    | Currency |      | Option Position |        |      | Swap Position |         |         |
|-----------|----------|------|-----------------|--------|------|---------------|---------|---------|
|           |          |      | Position        | Assets | Debt | Position      | Assets  | Debt    |
| USA       | \$       | USD  |                 |        |      | 174,000       | 174,000 |         |
| Japan     | ¥        | JPY  |                 |        |      | -191,457      |         | 191,457 |
| Germany   |          | DEM  |                 |        |      |               |         |         |
| UK        | £        | GBP  |                 |        |      |               |         |         |
| Euro land |          | EURO |                 |        |      |               |         |         |
| Others    |          |      |                 |        |      |               |         |         |
| Total     | Buy      |      |                 |        |      | 174,000       | 174,000 |         |
|           | Sell     |      |                 |        |      | 191,457       |         | 191,457 |
|           | Position |      |                 |        |      | -17,457       |         |         |

## B. Risk Management for Foreign Exchange

There are three basic strategies for the risk management for foreign exchange.

First. Natural Hedge.

Maintain the balance between the income and expenditure of foreign exchange to reduce the net exposure.

Second. Balance the assets and debt.

An Increase in foreign assets as well as a decrease in foreign debt to reduce the exposure to the foreign exchange fluctuation.

(Foreign Debt: '01/E: US\$ 2,184 million → '02/E: US\$ 2,266 million.

Foreign Assets: '01/E: US\$ 300 million → US\$ 217 million)

Third. Introduce the risk management system.

POSCO introduced the risk management system on December 15, 2000 to manage the remaining foreign exchange more systematically.

## 7. Important contracts

### A. Import Contract

N.A.

## 8. Research & Development

### A. R & D Organization

|             |   | Number of<br>Teams or groups | Staff |
|-------------|---|------------------------------|-------|
| In-house    | Technology Development Department                       | 8                            | 73    |
|             | Environment & Energy Department                         | 2                            | 18    |
|             | Technical Research Laboratory (Group)                   | 13                           | 451   |
| Independent | Research Institute of Industrial Science and Technology |                              | 460   |

### B. R&D Expense

(Million Won)

|                  | 2001    | 2000    | 1999    |
|------------------|---------|---------|---------|
| 1. Raw Materials | 21.362  | 14.782  | 12.353  |
| 2. Labor cost    | 18.588  | 20.075  | 17.180  |
| 3. Depreciation  | 15.626  | 15.785  | 15.535  |
| 4. Subcontract   | 100.598 | 101.561 | 70.273  |
| 5. Other Expense | 24.259  | 24.942  | 20.545  |
| Total            | 180.433 | 177.145 | 135.886 |

### C. R&D projects

| Year | No. of<br>Projects | Major Projects  |
|------|--------------------|---|
| 1999 | 376                | <ul style="list-style-type: none"> <li>- Development of Commercial Invar Alloy</li> <li>- Minimization Technology of coating sag and zinc ash of Hot-dip Galvanized Steel Sheets</li> <li>- Development of Technology of New Shape Control in Tandem Cold Rolling Mill</li> <li>- Process Development for the Treatment of the Flue Gas in the Fluidized Bed Incinerator</li> <li>- A Study on Manufacturing Condition and Assessment of Formability for Ultra-High Temper Black plate</li> <li>- Development of High Tensile Strength Bead Wire for Direct Drawing</li> <li>- Development of an optimization technology in an incinerator operation to minimize a pollutant emission</li> <li>- Development of anti-fingerprint coating containing inorganic compound</li> </ul> |

|      |     |  |
|------|-----|--|
| 2000 | 406 | <ul style="list-style-type: none"> <li>- Technology for Reduction of skull in RH-TOB System</li> <li>- Development of Repair Welding Technology of Steel Structure</li> <li>- Development of Material and can-making Technology for Ultra Light D&amp;I Can</li> <li>- Development of Zn Electrolyte for improved Surface Appearance</li> <li>- Technology of Product Enhancement for Mini-Mill</li> <li>- Development of GA Super-EDDQ</li> <li>- Technology for Recycling EAF Dust Directly to Furnace</li> </ul>  |
| 2001 | 478 | <ul style="list-style-type: none"> <li>- Development of Strip Casting Process</li> <li>- Development of Fluidized Bed Reduction and Charging Technology with FINEX 150t/d Pilot Plan</li> <li>- Combined Removal of Air Pollutants using Non-thermal Plasma Process</li> <li>- Development of integrated recoiling process for hot rolled strip</li> <li>- Development of wire rope for direct drawing</li> <li>- Control of Center Segregation in Slab for High Carbon Steel</li> <li>- Development of Advanced Steel Furniture compatible with Digitalized Office Environment</li> <li>- Development of the Non-oriented Electrical Steel with Superior Magnetic Properties</li> <li>- Biological metal recovery from electroplating wastewater</li> </ul> |

## 9. Other information for investment decision making

### A. Funding from domestic market

| (Hundred Million Won) |           |                     |                |
|-----------------------|-----------|---------------------|----------------|
| Source                | Beginning | Increase (Decrease) | Ending Balance |
| From Money Market     | 7         | -7                  |                |
| Banks                 |           |                     |                |
| Others                |           |                     |                |
| From Capital Market   |           |                     |                |
| Bond (private)        |           |                     |                |
| Bond (public)         | 23,000    | - 1,500             | 21,500         |
| Others                |           |                     |                |
| Total                 | 23,000    | - 1,500             | 21,500         |

※ Total amount of Corporate Bond issued during 1Q 2002 is KRW 150 billion.

**B. Funding from overseas**

(Hundred Million Won)

|                        | Beginning | Increase (Decrease) | Ending Balance |
|------------------------|-----------|---------------------|----------------|
| Financial Institutions | 6.934     | -390                | 6.544          |
| Bond                   | 22.040    | - 1.348             | 20.692         |
| Equity                 |           |                     |                |
| Others                 |           |                     |                |
| Total                  | 28.974    | -1.738              | 27.236         |

### III. Financial Statements

#### 1. Summary of Unconsolidated Financial Statements

(Unit: million won)

|                            | 1H 2002    | 2001       | 2000       | 1999       | 1998       |
|----------------------------|------------|------------|------------|------------|------------|
| Current Assets             | 3,590,930  | 3,560,773  | 4,543,060  | 4,166,180  | 4,916,958  |
| Quick Assets               | 2,265,264  | 2,191,303  | 3,080,993  | 2,876,489  | 3,688,226  |
| Inventories                | 1,325,666  | 1,369,470  | 1,462,067  | 1,289,691  | 1,228,732  |
| Fixes Assets               | 13,842,472 | 14,054,757 | 13,223,506 | 13,061,277 | 13,054,614 |
| Investments                | 4,407,842  | 4,609,647  | 3,990,724  | 3,443,239  | 2,886,121  |
| Tangible Assets            | 9,119,390  | 9,118,589  | 8,929,983  | 9,411,491  | 9,668,946  |
| Intangible Assets          | 315,239    | 326,521    | 302,799    | 206,547    | 148,488    |
| Deferred Assets            |            | -          | -          | -          | 351,059    |
| Total Assets               | 17,433,403 | 17,615,530 | 17,766,566 | 17,227,457 | 17,971,572 |
| Current Liabilities        | 2,098,396  | 2,252,545  | 3,509,702  | 2,994,780  | 3,589,097  |
| Fixed Liabilities          | 4,132,631  | 5,166,492  | 4,826,918  | 5,146,157  | 5,979,965  |
| Total Liabilities          | 6,231,028  | 7,419,037  | 8,336,620  | 8,140,937  | 9,586,251  |
| Common Stock               | 482,403    | 482,403    | 482,403    | 482,403    | 482,403    |
| Capital Surplus            | 3,673,280  | 3,673,621  | 3,670,457  | 3,675,351  | 3,904,348  |
| Retained Earnings          | 8,022,241  | 6,986,939  | 6,662,163  | 5,208,591  | 4,085,475  |
| Capital Adjustments        | △975,550   | △946,470   | △1,385,078 | △279,825   | △86,905    |
| Total Shareholders' Equity | 11,202,375 | 10,196,493 | 9,429,946  | 9,086,520  | 8,385,321  |
| Total Sales                | 5,454,352  | 11,086,119 | 11,692,000 | 10,696,148 | 11,137,684 |
| Operating Profit           | 606,275    | 1,429,457  | 2,099,224  | 1,819,452  | 1,720,182  |
| Recurring Profit           | 442,735    | 1,114,971  | 1,331,484  | 1,662,779  | 1,415,313  |
| Net Profit                 | 358,634    | 819,319    | 1,636,991  | 1,558,032  | 1,122,867  |

## 2. Items to pay attention for use of Financial Statements

### A. Principles to write Financial Statements

The company prepared its financial statements in accordance with Generally Accepted Accounting Principle and Certified Public Accountant's audit opinions on financial statements are as follows.

|               | For 1H 2002                                      | For 1999,2000 and 2001        | For 1998,1997 and 1996 |
|---------------|--|-------------------------------|------------------------|
| CPAs          | Samil Accounting Corp<br>Pricewaterhouse Coopers | Anjin & Co Arthur<br>Anderson | San Tong KPMG          |
| Audit Opinion | Refer to (1)                                     | Unqualified                   | Unqualified            |

#### (1) Content of review report as of June 30, 2002

We have reviewed the accompanying non-consolidated balance sheets of POSCO - previously Pohang Iron & Steel Co., Ltd. - (the "Company") as of June 30, 2002, and the related non-consolidated statements of income for the six-month period then ended, all expressed in Korean won. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The financial statements of the company for the six month period ended June 30, 2001, presented herein for comparative purposes, were reviewed by Anjin & Co Arthur Anderson, who expressed their opinion that nothing has come to their attention that causes them to believe that the accompanying non-consolidated financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards for preparing quarterly and semi-annual financial statements in the Republic of Korea.

We conducted our review in accordance with standards for independent accountants' review of semi-annual financial statements as established by the Securities and Futures Commission of the Republic of Korea applicable to review engagements. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying non-consolidated financial statements are not presented fairly, in all material respects, in accordance with standards for independent accountants' review of semi-annual financial statements as established by the Securities and Futures Commission of the Republic of Korea

### B. Any violations against GAAP

#### (1) Violations which need to amend financial statements

N.A.

#### (2) Violations, which are not related with amendment of financial statements

N.A.

### C. Other items to be paid attentions

#### (1) Changing of company name:

As discussed in Note 1 to the quarterly financial statements, the Company changed its name from Pohang Iron & Steel Co., Ltd. to POSCO in accordance with the approval of shareholders on March 15, 2000

#### (2) Transaction with interested parties

As discussed in Note 22 to the financial statements, during the six month periods ended June 30, 2002 the Company entered into sales and purchases transactions with related parties amounting to ₩ 914,391 million and ₩ 995,347 million respectively. Related receivables and payables are ₩ 394,426 million and ₩137,638 million respectively as of June 30, 2002, and ₩349,891 million, ₩177,196 million respectively as of June 30, 2001.

#### (3) The change of accounting policies

As discussed in Note 15 to the non-consolidated financial statements, the Company retrieved total amount of the special repair allowance, recorded at the end of last fiscal year in accordance with article 5 of financial accounting standards for preparing quarterly and semi-annual financial statements. By this adjustment the retained earnings of last year increased by 717,510 million won and the net profit of this half year increased by 15,221 million won, compared to the profit where previous accounting policy presumably applied.

#### (4) Uncertainty of Korean economy

As discussed in Note 25 to the non-consolidated financial statements, the operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region since the financial crisis in 1997. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and, accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

\* Above statements are referred from Auditor's report.

### **3. Accounting policies**

#### **A. Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibles of individual accounts and prior year collection experience.

**B. Allowance ratio for doubtful account for the past three years**

(Million won. %)

|                  |                           | Total     | Allowance | Allowance Ratio |
|------------------|---------------------------|-----------|-----------|-----------------|
| 1st Half<br>2002 | Receivables               | 1,042,054 | 10,378    | 1.00            |
|                  | Short term loans          | 2,346     | 23        | 1.00            |
|                  | Other account receivables | 39,446    | 225       | 0.57            |
|                  | Long term loans           | 1,100     | 11        | 1.00            |
|                  | Long term receivables     | 66,898    | 4,244     | 6.35            |
|                  | Other investment          | 213,636   | 86,735    | 40.60           |
| 1st Half<br>2001 | Receivables               | 1,012,307 | 10,092    | 1.00            |
|                  | Short term loans          | 105,623   | 40        | 0.04            |
|                  | Other account receivables | 98,935    | 712       | 0.72            |
|                  | Long term loans           | 1,119     | 11        | 1.00            |
|                  | Long term receivables     | 81,633    | 11,966    | 14.66           |
|                  | Other investment          | 224,813   | 69,074    | 30.73           |
| 2001             | Receivables               | 1,133,188 | 11,293    | 1.00            |
|                  | Short term loans          | 96,270    | 1         | 0.00            |
|                  | Other account receivables | 32,057    | 55        | 0.17            |
|                  | Long term loans           | 1,103     | 11        | 1.00            |
|                  | Long term receivables     | 46,236    | 4,245     | 9.18            |
|                  | Other investment          | 138,148   | 69,074    | 50.00           |
| 2000             | Receivables               | 1,294,389 | 12,914    | 1.00            |
|                  | Short term loans          | 9,251     | 29        | 0.32            |
|                  | Other account receivables | 86,437    | 680       | 0.79            |
|                  | Long term loans           | 100,173   | 1,002     | 1.00            |
|                  | Long term receivables     | 53,129    | 9,319     | 17.54           |
|                  | Other investment          | 380       | 170       | 44.71           |

**C. Changes in accounting policy for the past 5 years**

## (1) Change of useful lives of tangible assets (1999) :

The Company changed its estimation method from the dual method differently applied according to the purchasing time to the unified method to more appropriately reflect the economic useful lives of fixed assets.

## (2) Change in allowance for special repairs (1999) :

The Company changed its estimation method of future inflation rate from the average of historical data to long-term forecast data to have an appropriate estimate allowance for repairs for the blast furnace facilities.

## (3) Abolition of allowance for special repairs

The company has accounted the reasonable amounts as the allowance for special repairs according to the calculation applying 15 years estimated repairing term and inflation rate, based on the purchasing price (including revaluation amount) for the regular special repair of the blast furnace facilities. But The company retrieved those accounted amounts as of Dec.31,2001 in accordance with accounting standard.

**D. Any net loss for the past 5 years and the reasons**

N.A.

**E. For the past 5 years, when did the company record net income change greater than 30% compared to previous years and why?**

(1) Net income for the recent 5 years

| (billion won) |        |        |        |        |        |        |        |        |        |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2001          |        | 2000   |        | 1999   |        | 1998   |        | 1997   |        |
| amount        | Change | amount | Change | amount | Change | amount | Change | amount | Change |
| 819           | -50%   | 1637   | 5%     | 1.558  | 39%    | 1.123  | 54%    | 729    | 17%    |

(2) Main reasons for net income change

- Change in sale volume and price
- Change in raw material and impact of exchange
- Extraordinary gain from evaluation of investment securities
- Cost reduction activities, etc.

#### **4. Unconsolidated Financial Statements**

##### **A. Balance Sheet**

Refer to the attached the review report for the six months periods ended June 30, 2002

##### **B. Income Statements**

Refer to the attached the review report for the six months periods ended June 30, 2002

##### **C. The Note in the Financial Statement**

Refer to the auditor's note in financial statement

##### **D. The Financial Statement before and after amended in this fiscal year**

N.A

## 5. Consolidated Financial Statements

### A. Summary for the fiscal years 1997 through 2001

(million won)

|                                  | 2001       | 2000       | 1999       | 1998       | 1997       |
|----------------------------------|------------|------------|------------|------------|------------|
| Current Assets                   | 4,960,937  | 6,306,451  | 5,982,514  | 7,016,426  | 6,515,798  |
| Quick Assets                     | 3,223,686  | 4,394,808  | 4,306,231  | 5,441,838  | 4,767,796  |
| Inventories                      | 1,737,251  | 1,911,643  | 1,676,282  | 1,574,588  | 1,748,003  |
| Fixed Assets                     | 14,444,398 | 13,840,224 | 13,685,492 | 13,562,658 | 13,102,256 |
| Investments                      | 3,352,924  | 2,849,980  | 2,472,524  | 1,763,880  | 2,454,191  |
| Tangible Assets                  | 10,600,766 | 10,536,136 | 10,811,472 | 11,153,471 | 9,530,128  |
| Intangible Assets                | 490,708    | 454,108    | 401,496    | 241,257    | 194,633    |
| Deferred Assets                  | -          | -          | -          | 404,050    | 923,303    |
| Adjustment for consolidation     | -          | -          | 30,899     | 21,619     | 4,678      |
| Total Assets                     | 19,405,334 | 20,146,675 | 19,698,905 | 20,600,703 | 19,622,732 |
| Current Liabilities              | 3,618,918  | 5,346,831  | 4,254,361  | 5,190,203  | 5,549,079  |
| Fixed Liabilities                | 5,434,628  | 5,241,545  | 5,965,490  | 7,059,046  | 6,739,281  |
| Deferred Liabilities             | -          | -          | -          | 17,231     | 22,070     |
| Total Liabilities                | 9,054,546  | 10,588,376 | 10,489,851 | 12,266,480 | 12,310,431 |
| Minority Interest                | 168,171    | 159,623    | 121,333    | 118,129    | 75,427     |
| Common Stock                     | 482,403    | 482,403    | 482,403    | 482,403    | 469,509    |
| Capital Surplus                  | 3,859,030  | 3,860,756  | 3,799,991  | 4,023,046  | 3,805,605  |
| Retained Earnings                | 6,966,189  | 6,595,470  | 5,193,185  | 3,675,392  | 2,830,306  |
| Capital Adjustments              | △1,125,004 | △1,539,953 | △396,830   | 35,253     | 126,977    |
| Adjustment for consolidation     | -          | -          | -          | -          | 4,477      |
| Total Shareholders' Equity       | 10,350,788 | 9,558,299  | 9,087,721  | 8,216,094  | 7,236,875  |
| Total Sales                      | 13,121,097 | 13,776,214 | 12,701,013 | 13,613,157 | 11,517,988 |
| Operating Profit                 | 1,587,293  | 2,306,463  | 2,020,120  | 1,900,700  | 1,934,636  |
| Recurring Profit                 | 1,174,673  | 1,384,660  | 1,754,161  | 1,506,764  | 900,112    |
| Total Net Profit                 | 837,210    | 1,642,350  | 1,602,308  | 1,107,696  | 711,156    |
| Consolidated Net Profit          | 845,679    | 1,636,667  | 1,554,397  | 952,933    | 729,258    |
| Number of consolidated Companies | 32         | 34         | 34         | 34         | 26         |

### B. Items to pay attention for use of Financial Statements

#### (1) Principles to write Financial Statements

The company prepared its financial statements in accordance with Generally Accepted Accounting Principle and Certified Public Accountant's audit opinions on financial statements are as follows.

|               | For FY 1999, 2000 and 2001    | For FYs 1998 and 1997 |
|---------------|-------------------------------|-----------------------|
| CPAs          | Anjin & Co Arthur<br>Anderson | San Tong KPMG         |
| Audit Opinion | Unqualified                   | Unqualified           |

(2) Any violation, need to amend the consolidated financial statement

N.A

(3) Any violation, does not need to amend the consolidated financial statement

N.A

(4) The companies included in the consolidated financial statement in the recent 3 fiscal years

|      | The companies included | The companies added              | The companies dropped          |
|------|------------------------|----------------------------------|--------------------------------|
| 2001 | POSCO and 31 companies | -                                | POS Energy and other           |
| 2000 | POSCO and 33 companies | POSTEC Venture and other         | Davy Distington Ltd and other  |
| 1999 | POSCO and 33 companies | Pohang coated steel and 4 others | Pohang coated steel and others |

## C. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Refer to the 34th Consolidated Financial Statements as of December 31, 2001

(2) Consolidated Income Statements

Refer to the 34th Consolidated Financial Statements as of December 31, 2001

## 6. Divisional Financial Status

### A. Divisional Financial Information

N.A

The POSCO and its related companies have been operating mainly steel business

### B. Regional Financial Information

N.A

There is not any country or region, in which the sales or assets of the companies or division are bigger than 10% of consolidated sales or assets

## 7. Financial Statement before and after consolidation

A. The overview of consolidation

N.A

B. Financial Statement before and after consolidation

N.A

C. Issues related Consolidation

N.A

## IV. Audits and Auditors

### 1. Independent Auditors' Opinion

#### A. Auditor

|         | 1H 2002                      | 1H 2001                    | 2001 | 2000 |
|---------|------------------------------|----------------------------|------|------|
| Auditor | Samil Accounting Corporation | Anjin & Co Arthur Anderson |      |      |

#### B. Summary of review of financial statements

The Auditor (Samil Accounting Corporation) have reviewed the accompanying balance sheet of POSCO (the "Company") as of June 30, 2002, and the related statement of earnings for the six-month period then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

Review Period: July 8, 2002 ~ July 12, 2002

#### C. Special Items in Auditors' Reports

For the six month periods ended June 30, 2002

We conducted our review in accordance with semi-annual review standards as established by the Securities and Futures Commissions of the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards for preparing semi-annual financial statements in the Republic of Korea.

The financial statements of the Company for the six-month period ended June 30, 2001, presented herein for comparative purposes, and were reviewed by Anjin Accounting Corporation. In their review report date July 19, 2001, they stated that nothing came to their attention that cause them to believe that the related financial statements were not presented fairly, in all material respects, in accordance with financial accounting standards for preparing semi-annual financial statements in the Republic of Korea.

As discussed in Note 1 to the financial statements, the Company changed its name from POHANG IRON & STEEL Co., Ltd to POSCO in accordance with the approval of the shareholders on March 15, 2002.

As discussed in Note 28 to the financial statements, during the six-month period ended June 30, 2002 and 2001, the Company entered into sales and purchases transactions with related parties amounting to ₩ 914,391 million and ₩ 995,347 million, respectively, in 2002 and ₩ 1,057,416 million and ₩ 186,569 million, respectively, in 2001. Related receivables and payables are ₩ 394,426 million and ₩ 137,638 million, respectively, as of June 30, 2002 and ₩ 349,891 million and ₩ 177,196 million, respectively, as of June 30, 2001. In addition, the Company has provided repayment guarantee of loans of related parties amounting to ₩ 323,164 million in 2002 and ₩ 374,370 million in 2001.

As discussed in Note 16 to the financial statements, the operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general unstable economic condition in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

As discussed in Note 18 to the financial statements, during the six-month period ended June 30, 2002, in accordance with the Company's newly established corporate accounting standards, the Company reversed previously recorded allowance to the beginning balance of retained earnings. As a result, the beginning balance of retained earnings increased by ₩ 717,510 million and net income for the current period increased by ₩ 15,221 million.

The amounts expressed in U.S dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying financial statements.

The accompanying statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying financial statements are intended for use by those who are informed about Korean accounting principles or reviewing standards and their application in practice.

The 34th fiscal year

(1) Changing of accounting estimate :

The Company has changed its accounting estimate for the reserve for special repairs from furnace-specific to company-wide standards to more appropriately reflect the replacement cycles and characters of furnaces. This resulted in an increase in net income of ₩59,108 million for the year ended December 31, 2001.

(2) Extraordinary gain

The Company transferred its existing 25.26 percent investment in Shinsegi Telecomm's stock, which was acquired before December 20, 1998, to SK Telecom on January 3, 2000 and transferred an additional 2.4 percent of Shinsegi Telecomm's stock which was acquired from Korea Electric Power Corporation and Korea Highway Corporation on January 31, 2000, to SK Telecom on February 1, 2000. The Company received 5,795 thousand shares, or 6.5 percent, of SK Telecom's stock in return on April 27, 2000. This transaction resulted in a gain on disposal of investments (extraordinary income) of ₩952,644 million, computed based on the market price of SK Telecom's stock as of the transaction closing date.

(3) Prepayment of severance indemnities

The Company amended the method for calculating retirement and severance benefits which came into effect on May 17, 2000, under which employees could elect to receive the entire amount of their severance payment accrued up to May 16, 2000. On this basis, the total amount of severance indemnities payable to eligible employees as of May 16, 2000 had been estimated to be ₩1,389,285 million, of which ₩446,531 million and ₩937,514 million was paid in September, 2001 and 2000 respectively.

(4) Uncertainty of Korean economy

As discussed in Note 32 to the non-consolidated financial statements, the operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and, accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

The 33rd fiscal year

We conducted our review in accordance with standards for independent accountants' review of semi-annual financial statements as established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of Korea, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**(1) Extraordinary Gain**

As discussed in Note 19 to the non-consolidated financial statements, the Company transferred its existing 25.26 percent investment in Shinsegi Telecomm's stock, which was acquired before December 20, 1999, to SK Telecom on January 3, 2000 and transferred an additional 2.4 percent of Shinsegi Telecomm's stock which was acquired from Korea Electric Power Corporation and Korea Highway Corporation on January 31, 2000, to SK Telecom on February 1, 2000. The Company received 5,795 thousand shares, or 6.5 percent, of SK Telecom's stock in return on April 27, 2000. This transaction resulted in a gain on disposal of investments(extraordinary income) of ₩952,644 million, computed based on the market price of SK Telecom's stock as of the transaction closing date.

**(2) Payment of Severance Indemnities**

As discussed in Note 2 to the non-consolidated financial statements, the Company amended the method for calculating retirement and severance benefits which came into effect on May 17, 2000, under which employees could elect to receive the entire amount of their severance payment accrued up to May 16, 2000, if their severance payment is equal to or less than ₩50 million each. Under the new calculation method, employees will receive as retirement and severance pay one-month's salary for each year of service. Under the old method, employees had received 1.6 months' salary for each year of employment. On this basis, the total amount of severance indemnities payable to eligible employees as of May 16, 2000 was estimated to be ₩1,389,285 million, of which ₩937,514 million was paid in June, 2000 and the remaining balance of ₩451,771 million has been recorded as other accounts payable and is scheduled to be paid before June, 2001.

**(3) Completion of Privatization**

As discussed in Note 25 to the non-consolidated financial statements, in accordance with the Government's Privatization Policy for the Company, on October 4, 2000, the Company issued the seventh American Depositary Receipts("ADR") as a disposition of 4.60 percent or 4,438 thousand shares, out of 6.84 percent or 6,599 thousand shares owned by the Korea Development Bank. The remaining 2.24 percent or 2,161 thousand shares owned by the Korea Development Bank were acquired by the Company as treasury stock, thereby completing the privatization of the Company.

The accompanying non-consolidated financial statements do not present the financial position and result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea. Accordingly, the accompanying financial statements are not intended for use by those who are not informed about Korean accounting principles and their application in practice.

## **2. Remuneration for the auditors**

### **A. Auditing fee for three years**

|      | Auditing Fee  |
|------|---------------|
| 1999 | ₩ 395,000,000 |
| 2000 | ₩ 520,000,000 |
| 2001 | ₩ 580,000,000 |

**B. Auditing period**

|      | Period for Auditing |
|------|---------------------|
| 1999 | 14 weeks            |
| 2000 | 18 weeks            |
| 2001 | 19 weeks            |

**C. Consulting contract with auditors for recent 3 years**

(Thousand won)

|      | Contracts                                      | Fee     |
|------|--|---------|
| 1999 | 4 contracts including refractory cost survey   | 171.804 |
| 2000 | 8 contracts including evaluation of POSCO Huls | 325.550 |
| 2001 | 2 contract including tax consulting for 2001   | 46.000  |

## V. Overview of Governance Structure and Major Subsidiaries and Affiliates

### 1. Corporate Governance

#### A. The Board of Directors and Others

##### (1) Composition of the Board

###### (a) Responsibilities of the Board

- o Deliberation and decision-making on statutory and key managerial matters
  - on statutory matters including convening the general meeting of shareholders, making decisions on the agenda for the shareholders' meeting, issuance of debt securities, and purchase of shares.
  - on key managerial matters including establishing and revising management goals, core management strategies, and CIs and deciding on significant new outside investments
- o Recommending candidates for standing directors, nominating Representative Director Chairman and Representative Director President as well as the Senior Executive Vice President, Executive Vice President, and Vice President
- o Nominating members of special committees
- o Making decisions on the functionality of the Board and its committees

###### (b) Regarding the announcement of resumes of directorship candidates and shareholders' recommendations thereto prior to the general meeting of shareholders

- o On February 21, 2002, Director Candidate Recommendation Committee recommended 4 candidate for the positions of outside directors.
- o On February 22, 2002, Board of Directors recommended 2 standing directors
- o On February 22, 2002, Personal profile of the outside director candidates was disclosed
- o On March 15, 2002, the recommended candidates were nominated as outside directors by the general meeting of shareholders

###### (c) Regarding the formation and composition of Director Candidate Recommendation Committee

- o On March 17, 2000, the committee was established
- o On March 15, 2002, the Director Candidate Recommendation and Evaluation Committee was established.

| Name             | Directorship      | Others   |
|------------------|-------------------|----------|
| Ung-suh Park     | Outside Director  | Chairman |
| Ku-Taek, Lee     | Standing Director | Member   |
| Samuel Chevalier | Outside Director  | Member   |
| Jong-won Lim     | Outside Director  | Member   |
| Yong-woon Kim    | Standing Director | Member   |

(d) Outside Directors (including name, educational background, work experience, relationship with the largest shareholder, and internal controls for access to significant managerial information)

| Name             | Experience   | Relationship with the largest shareholder | Qualifications         |
|------------------|--|---|------------------------|
| Ung-suh Park     | Currently Deputy Dean of Graduate school of Business Administration of Sejon Univ. And chairman of the OECD Economy and Industry Advisory Committee      | None                                      | All qualifications met |
| Jae-young Chung  | Currently professor of the College of Economics, Seungkyungwan Univ. and member of the Trade Negotiations Committee of the Ministry of Foreign and Trade | None                                      | All qualifications met |
| Guil-soo Shin    | Currently professor and served as chancellor of the College of Economics, Myongji Univ.  | None                                      | All qualifications met |
| Jong-won Lim     | Currently professor of the Dept. of Business Administration of SNU. Served as chairman of the Korea Marketing Academy                                    | None                                      | All qualifications met |
| Samuel Chevalier | Currently vice president of the Bank of New York<br>Served as president of the Bank of Irving  | None                                      | All qualifications met |
| Soon Kim         | Currently adviser to the Korea Machinery Industry Promotion Association. Served as chairman of the Appeal Hearing Committee                              | None                                      | All qualifications met |
| Woo-hoe Park     | Currently Chairman of Seoul Economist Club<br>Served as professor of the Dept. of Economics, SNU   | None                                      | All qualifications met |
| Dae-wook Yoon    | Currently adviser to SK Oxy Chemical Co., Ltd.<br>Served as representative and president of SK Oxy Chemical Co., Ltd.                                    | None                                      | All qualifications met |

o Internal Controls for Access to Significant Managerial Information

- All significant matters of the Company are submitted as agenda to the board of directors (related materials are distributed prior to the board meeting).
- The agenda to be submitted to the board undergoes a prior review by the board committees, which are mostly composed of outside directors.
- Outside directors are closely related to some departments of management. The Company's managerial state is periodically reported and related materials are provided on a frequent basis.
- Workshops and seminars on management are held for outside directors.

(e) Public Liability Insurance for Directors

(Unit: million won)

| Name          | Premium | Amount insured | Amount to be borne to POSCO |
|---------------|---------|----------------|-----------------------------|
| All directors | 27      | 30,000         | All premium                 |

(2) Matters regarding the operation of the Board

(a) Significant Regulations

o Matters To Be Submitted to the Board

- Convening the general meetings of shareholders and making decisions on the agenda, issuance of debt securities, and purchase of proprietary shares
- Key managerial matters including mid and long term management strategies, annual business program, important new inside and outside investments

o Composition and function of board committees

|  | Composition   | Function   |
|--|---|--|
| Audit Committee  | 4 Outside Directors<br>(Outside Director should be more than 2/3) | - Audit of Accounting and operation<br>- Writing audit report on financial statements and report to Annual general shareholders meeting  |
| Director Candidate Recommendation and Evaluation Committee | 3 Outside Directors<br>2 Standing Directors                       | - Review qualifications of candidates for standing director and recommend outside director<br>- Nominate representative Directors from Standing Directors<br>- Preview nomination of members of special committee    |
| Executive Management Committee                             | 7 Standing Directors  | - Review and approve the investment plan, human resource structure, and labor relation change  |
| Finance and Operation Committee                            | 3 Outside Directors<br>2 Standing Directors                       | - Review of major investment plan and amendments of operational rule of the Board meeting.<br>- Deliberation and resolution of agenda related financing and donation ranged from 100 million won to one billion won. |

(b) Major Activities of the Board

| Date        | Agenda   | Approval             | Number of outside Directors |
|-------------|--|----------------------|-----------------------------|
| January 23  | 6 items including special committee regulation                           | All 6 items approved |                             |
| February 22 | 2 items including donation to POSCO educational foundation               | All 2 items approved |                             |
| March 15    | 2 items including the composition of special committee                   | All 2 items approved |                             |
| April 27    | 6 items including setting up ESOP  | All 6 items approved |                             |
| June 27     | 3 items including sustention of register of shareholder to pay dividends | All 3 items approved |                             |

(c) Composition and Activities of the Board Committees

- o Composition: Please refer to the operational regulations of the Board
- o Activities

| Date      | Committees   | Agenda   |
|-----------|--|--|
| 2002.1.22 | Finance and Operation Committee                            | 5 items including operation of special committee                               |
| 2002.1.22 | Management Development and compensation committee          | 2 items including management evaluation  |
| 2002.1.23 | Director Candidate Recommendation Committee                | approve the position of standing directors                                     |
| 2002.2.20 | Finance and Operation Committee                            | POSCO educational foundation plan  |
| 2002.2.21 | Director Candidate Recommendation Committee                | 2 items including evaluation and recommendation of outside director candidates |
| 2002.3.15 | Director Candidate Recommendation and evaluation Committee | appoint the position of standing directors                                     |
| 2002.4.26 | Finance and Operation Committee                            | 5 items including establishment of electric environment board                  |
| 2002.4.27 | Director Candidate Recommendation and evaluation Committee | 2 items including endowment of stock option                                    |
| 2002.6. 7 | Finance and Operation Committee                            | Investment plan of Biotech   |

## B. Audit System-Related Matters

### (1) Audit Organizations

#### (a) Establishment and Composition of the Audit Committee (and Auditors)

- o Date established: March 17, 2000
- o Composition: 4 members (Four outside directors)
- o The Company must set those internal controls up in accordance with the Commercial Code (Section 2 of Clause 415) and the Securities Exchange Act (Section 17 of Clause 191) which require any companies whose total assets are over 2 trillion KRW to establish said controls.

#### (b) Whether to establish an internal system under which the Audit Committee (Auditors) (the "Committee") can access the management information necessary to conduct the auditing duties of the Committee:

To be specified in the Operation Regulations of the Audit Committee based on the relevant laws and regulations

- A. The Committee shall inspect the directors' execution of their duties.
- B. The Committee may request the directors to report the Company's business or investigate the status of the company's businesses and financial conditions.
- C. If the Committee is concerned that any actions by a director in violation of the relevant laws and regulations or the Articles of Incorporation of the Company may cause irrecoverable losses to the Company, the Committee may request the director to suspend such actions.
- D. The Committee may request that an extraordinary general shareholders' meeting be convened by submitting to the Board of Directors a written request specifying the purposes of the meeting and the reasons for the convocation.
- E. The Committee may request any companies, which the Company has invested in ("Invested Company") to report to the Committee their business activities, if necessary. If the Invested Company does not report to the Committee immediately or the contents of the report is necessary to be confirmed, the Committee may investigate the status of the financial condition and business of the Invested Company.
- F. The Committee may seek advice from outside experts at the Company's expense, if necessary.

#### (c) Personnel Details of Auditors

| Name            | Major Experience   | Qualifications              | Others   |
|-----------------|--|-----------------------------|----------|
| Jae-young Chung | Professor of the College of Economics, Seungkyunkwan Univ.                     | All qualifications duly met | Chairman |
| Ung-suh Park    | Deputy Dean of Cyber Graduate School of Business Administration of Seong Univ. | All qualifications duly met |          |
| Woo-hee Park    | Professor of the College of Economics, SNU                                     | All qualifications duly met |          |
| Dae-wook Yoon   | Advisor of SK Oxy Chemical Co.,Ltd   | All qualifications duly met |          |

(2) Major Activities of the Audit Committee (Auditors)

| Date      | Agenda  | Approval |
|-----------|---|----------|
| 2002.1.18 | revise the operation rule of audit committee<br>The scheme for nominating external auditor  | Approved |
| 2002.2.19 | 34 Financial Statement<br>The assessment of working situation related to<br>internal accounting system<br>Nominate external auditor | Approved |
| 2002.3.13 | Approve external auditor  | Approved |
| 2002.3.15 | Nominate chairman of audit committee<br>Appoint general manager of audit department   | Approved |
| 2002.4.26 | There is no item on agenda<br>- made a report of 1 quarterly audit result   |          |

**C. Matters Regarding Shareholders' Exercise of Voting Rights**

(1) Cumulative voting

None applied.

(2) Voting in writing or electronic voting

None applied.

(3) Minority shareholders' exercise of voting rights

None applied.

**D. Compensation for Management**

(1) Compensation for Directors (including outside directors) and Auditors

(Unit: Million won)

| Division  | Total amount paid<br>(Jan. ~ Jun.) | Upper limit set by OGM   | Average amount paid per cap. |
|-----------|------------------------------------|--|------------------------------|
| Directors | 614 million                        | - 2,000 million won<br>-Performance bonus :<br>. 100% of yearly compensation<br>. 200% of representative directors | 112 million                  |

(2) Stock option for directors :

Refer to 1. Overview 4. Total number of shares. Stock option

## 2. Related Companies

### A. Breakdown by POSCO's Ownership

(1) Companies with POSCO's Ownership of Over 20%

| Company                           | POSCO's Interest (%) | Company                       | POSCO's Interest (%) |
|-----------------------------------|----------------------|-------------------------------|----------------------|
| Pohang Coated Steel               | 95.2%                | Dalian POSCO-CFM Coated Steel | 40.0%                |
| Changwon Specialty Steel Co.      | 86.7%                | Zhangjiagang Pohang STS Steel | 82.5%                |
| POSCON                            | 90.2%                | Shunde Pohang Coated Steel    | 93.5%                |
| POSCO Machinery Engineering       | 100%                 | POSVINA                       | 50.0%                |
| POSCO Machinery Co.               | 100%                 | MYANMAR POSCO                 | 70.0%                |
| POSCOENC                          | 97.4%                | POSAM                         | 99.3%                |
| POS A.C. Architects & Engineering | 100%                 | KOBRASCO                      | 50.0%                |
| POSTEEL                           | 95.3%                | POSINVEST                     | 100.0%               |
| POSDATA                           | 65%                  | PT.POSNESIA                   | 70.0%                |
| Seung Kwang                       | 66%                  | POSA                          | 100.0%               |
| POSRI                             | 95%                  | POA                           | 100.0%               |
| POSTECH Venture                   | 95%                  | PT.KS-POSCO                   | 40.0%                |
| POS-ENERGY                        | 95%                  | POSCHROME                     | 25.0%                |
| Korea Daily News                  | 22.4%                | VPS                           | 35.0%                |
| POSREC                            | 60.0%                | POSVEN                        | 40.0%                |

- POSCO Engineering & Construction was changed to POSCOENC (Company Name)  
(Change par value of stock : 10,000won per stock → 5,000won. April 27 )
- Ownership of KOREA Daily NEWS was changed due to the increase of capital with consideration  
(Ownership change: 36.73% → 22.41%)
- POSREC : Ownership increase 24.3% → 60% (April 19)
- POSCON : Reduction without consideration (May 30) Reduction with consideration (May 31)  
(Ownership change : 96.8% → 90.2%)
- Changwon Specialty Steel Co. : Reduction with(without) consideration  
(Ownership change : 72.2% → 86.7%)

(2) Companies with POSCO's Ownership of 10% to 20%

| Company                        | POSCO's Interest (%) | Company  | POSCO's Interest (%) |
|--------------------------------|----------------------|----------|----------------------|
| Kihyup Finance                 | 10.3                 | VINAPIPE | 10.6                 |
| Daekyeong Steel                | 19.0                 | EntoB    | 17.5                 |
| Chunnam Pro-soccer Association | 13.2                 | SK IMT   | 12.0                 |
| Pohang Pro-soccer Association  | 16.7                 | SUS      | 10.0                 |

(3) The Companies with Joint Investment by POSCO and its Subsidiaries

| Company                         | Investor | Interest (%) | Company                     | Investor | Interest (%) |
|---------------------------------|----------|--------------|-----------------------------|----------|--------------|
| Dalian POSCO-CFM Coated Steel   | POSCO    | 40.0         | POS-Tianjin Coil Center Co. | POSCO    | 10.0         |
|                                 | POSTEEL  | 15.0         |                             | POSTEEL  | 60.0         |
| VSC-POSCO Steel Corp.           | POSCO    | 35.0         | Global Unity                | POSCO    | 13.3         |
|                                 | POSTEEL  | 5.0          |                             | POA      | 3.3          |
| POS-THAI                        | POSCO    | 11.7         | POSVEN                      | POSCO    | 40.0         |
|                                 | POSTEEL  | 52.2         |                             | POSTEEL  | 10.0         |
|                                 |          |              |                             | POSEC    | 10.0         |
| Shunde Xing Pu Steel Center Co. | POSCO    | 10.5         | POS-HYUNDAI                 | POSCO    | 10.0         |
|                                 | POSTEEL  | 10.5         |                             | POSTEEL  | 19.5         |

(4) Companies with Interest of over 10% of POSCO's Subsidiaries

| Companies  | Investors | Interests |
|--|-----------|-----------|
| Shanghai POSEC Real Estate Development Co., Ltd. | POSEC     | 100.0%    |
| POSEC- HAWAII INC                                | "         | 100.0%    |
| International B/C CO                             | "         | 60.0%     |
| POSLILAMA STEEL STRUCTURE CO.                    | "         | 60.0%     |
| Midas IT   | "         | 27.9%     |
| Incheon International Airport Railroad           | "         | 11.0%     |
| Zhangjiagang POSEC Shagang Steel Port Co., Ltd   | "         | 25.0%     |
| PIO  | POSTEEL   | 100.0%    |
| POSCAN   | "         | 100.0%    |
| POS-Tianjin Coil Center Co.                      | "         | 60.0%     |
| Soju-Dongshin Color Metal Sheet Company Ltd      | "         | 30.0%     |
| POS-THAI   | "         | 52.2%     |
| POS-Hyundai                                      | "         | 19.5%     |
| Zhangjiagang Xiaosha Steel Coil Service Center   | "         | 17.5%     |
| Dalian POSCO-CFM Coated Steel                    |           | 15.0%     |

|                                   |             |       |
|-----------------------------------|-------------|-------|
| Korea Nickel Company Ltd.         | "           | 14.0% |
| Shunde Xing Pu Steel Center Co.   | "           | 10.5% |
| UPI                               | POSAM       | 50.0% |
| POSMETAL                          | PIO         | 50.0% |
| Fujiura Butsuryu Center Co., Ltd. | PIO         | 30.0% |
| Dong Bang Special Steel Co., Ltd. | POSCON      | 14.0% |
| Kognotec Korea                    | POSDATA     | 40.0% |
| Insolution Co., Ltd.              | POSDATA     | 14.0% |
| Success Maker Co. Ltd             | "           | 19.9% |
| Carpos Club Co., Ltd              | "           | 19.7% |
| POSMEC MasRoll Korea Co., Ltd.    | POSMEC      | 19.0% |
| Korea Sports Promotion            | Seung Kwang | 16.4% |

## B. Financial performance by subsidiaries and affiliated companies

### POSCOENC

(Million Won)

|                            | 2001      | 2000      | 1999      |
|----------------------------|-----------|-----------|-----------|
| Current Asset              | 635,294   | 685,916   | 681,464   |
| Quick Asset                | 520,430   | 544,346   | 558,144   |
| Inventory                  | 114,864   | 141,570   | 123,320   |
| Fixed Asset                | 456,401   | 388,202   | 374,202   |
| Investment                 | 398,195   | 320,280   | 309,208   |
| Tangible Asset             | 49,725    | 67,051    | 63,654    |
| Intangible Asset           | 8,481     | 871       | 1,340     |
| Deferred Asset             | -         | -         | -         |
| Total Asset                | 1,091,695 | 1,074,118 | 1,055,666 |
| Current Liabilities        | 361,139   | 335,919   | 313,628   |
| Fixed Liabilities          | 44,914    | 92,243    | 123,311   |
| Total Liabilities          | 406,053   | 428,162   | 436,938   |
| Common Stock               | 343,481   | 343,481   | 343,481   |
| Capital Surplus            | 95,686    | 95,686    | 95,686    |
| Capital Reseves            | 95,686    | 95,686    | 95,686    |
| Assets Revaluation Surplus | -         | -         | -         |
| Retained Earnings          | 238,181   | 204,593   | 185,067   |
| Capital Adjustment         | 8,294     | 2,196     | -5,506    |
| Shareholders' Equity       | 685,642   | 645,956   | 618,728   |
| Sales                      | 949,230   | 613,525   | 809,441   |
| Operating Income           | 65,166    | 24,005    | 58,590    |
| Ordinary Income            | 57,695    | 32,140    | 69,493    |
| Net Income                 | 43,892    | 19,161    | 47,001    |

# POSTEEL

(Million Won)

|                                   | 2001      | 2000      | 1999      |
|-----------------------------------|-----------|-----------|-----------|
| <b>Current Asset</b>              | 185,543   | 263,042   | 355,716   |
| <b>Quick Asset</b>                | 180,942   | 251,816   | 348,404   |
| <b>Inventory</b>                  | 4,601     | 11,226    | 7,312     |
| <b>Fixed Asset</b>                | 344,893   | 299,296   | 256,132   |
| <b>Investment</b>                 | 200,036   | 171,505   | 132,383   |
| <b>Tangible Asset</b>             | 139,958   | 127,074   | 123,592   |
| <b>Intangible Asset</b>           | 4,899     | 716       | 157       |
| <b>Deferred Asset</b>             | -         | -         | -         |
| <b>Total Asset</b>                | 530,436   | 562,338   | 611,848   |
| <b>Current Liabilities</b>        | 210,360   | 253,871   | 315,256   |
| <b>Fixed Liabilities</b>          | 15,772    | 12,239    | 19,643    |
| <b>Total Liabilities</b>          | 226,132   | 266,111   | 334,899   |
| <b>Common Stock</b>               | 90,000    | 90,000    | 90,000    |
| <b>Capital Surplus</b>            | 119,788   | 119,788   | 119,788   |
| <b>Capital Reseves</b>            | 119,788   | 119,788   | 119,788   |
| <b>Assets Revaluation Surplus</b> | -         | -         | -         |
| <b>Retained Earnings</b>          | 75,535    | 66,865    | 52,874    |
| <b>Capital Adjustment</b>         | 18,981    | 19,574    | 14,287    |
| <b>Shareholders' Equity</b>       | 304,304   | 296,227   | 276,949   |
| <b>Sales</b>                      | 1,918,258 | 2,090,204 | 2,191,625 |
| <b>Operating Income</b>           | 8,595     | 11,265    | 7,792     |
| <b>Ordinary Income</b>            | 11,494    | 21,460    | 7,181     |
| <b>Net Income</b>                 | 8,659     | 16,626    | 8,184     |

# POSCON

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 57,341  | 66,618  | 56,397  |
| Quick Asset                | 56,795  | 66,245  | 54,823  |
| Inventory                  | 546     | 372     | 1,573   |
| Fixed Asset                | 49,481  | 45,244  | 58,516  |
| Investment                 | 28,087  | 25,976  | 41,323  |
| Tangible Asset             | 18,452  | 19,269  | 17,194  |
| Intangible Asset           | 2,942   | -       | -       |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 106,822 | 111,862 | 114,913 |
| Current Liabilities        | 36,454  | 47,253  | 33,526  |
| Fixed Liabilities          | 1,815   | 786     | 23,305  |
| Total Liabilities          | 38,269  | 48,040  | 56,831  |
| Common Stock               | 46,000  | 46,000  | 46,000  |
| Capital Surplus            | -       | -       | -       |
| Capital Reseves            | -       | -       | -       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 22,551  | 17,821  | 12,082  |
| Capital Adjustment         | 2       | 1       | -       |
| Shareholders' Equity       | 68,553  | 63,822  | 58,082  |
| Sales                      | 202,357 | 166,591 | 147,778 |
| Operating Income           | 5,724   | 5,074   | 5,273   |
| Ordinary Income            | 7,839   | 6,262   | 7,770   |
| Net Income                 | 6,110   | 4,067   | 6,015   |

## Pohang Coated Steel

(Million Won)

|                                   | 2001    | 2000    | 1999    |
|-----------------------------------|---------|---------|---------|
| <b>Current Asset</b>              | 132,682 | 155,048 | 138,345 |
| <b>Quick Asset</b>                | 100,190 | 108,467 | 113,990 |
| <b>Inventory</b>                  | 32,492  | 46,580  | 24,354  |
| <b>Fixed Asset</b>                | 138,831 | 142,874 | 95,011  |
| <b>Investment</b>                 | 11,810  | 8,289   | 18,598  |
| <b>Tangible Asset</b>             | 126,379 | 134,582 | 76,410  |
| <b>Intangible Asset</b>           | 642     | 4       | 3       |
| <b>Deferred Asset</b>             | -       | -       | -       |
| <b>Total Asset</b>                | 271,513 | 297,922 | 233,356 |
| <b>Current Liabilities</b>        | 73,040  | 117,389 | 131,592 |
| <b>Fixed Liabilities</b>          | 10,560  | 7,318   | 3,287   |
| <b>Total Liabilities</b>          | 83,600  | 124,707 | 134,879 |
| <b>Common Stock</b>               | 21,000  | 39,000  | 39,000  |
| <b>Capital Surplus</b>            | 90,757  | 70,065  | 9,706   |
| <b>Capital Reseves</b>            | 29,803  | 9,111   | 9,706   |
| <b>Assets Revaluation Surplus</b> | 60,954  | 60,955  | -       |
| <b>Retained Earnings</b>          | 76,156  | 64,150  | 49,771  |
| <b>Capital Adjustment</b>         | -       | -       | -       |
| <b>Shareholders' Equity</b>       | 187,913 | 173,215 | 98,477  |
| <b>Sales</b>                      | 395,965 | 376,491 | 347,337 |
| <b>Operating Income</b>           | 21,566  | 28,158  | 16,310  |
| <b>Ordinary Income</b>            | 22,157  | 29,068  | 18,375  |
| <b>Net Income</b>                 | 15,156  | 20,228  | 12,613  |

# POSCO Machinery Engineering

(Million Won

|                                   | 2001    | 2000    | 1999   |
|-----------------------------------|---------|---------|--------|
| <b>Current Asset</b>              | 24,893  | 30,069  | 30,617 |
| <b>Quick Asset</b>                | 23,843  | 29,121  | 29,767 |
| <b>Inventory</b>                  | 1,050   | 948     | 850    |
| <b>Fixed Asset</b>                | 15,678  | 15,867  | 23,525 |
| <b>Investment</b>                 | 4,475   | 3,901   | 10,944 |
| <b>Tangible Asset</b>             | 10,986  | 11,646  | 12,480 |
| <b>Intangible Asset</b>           | 217     | 320     | 102    |
| <b>Deferred Asset</b>             | -       | -       | -      |
| <b>Total Asset</b>                | 40,571  | 45,935  | 54,142 |
| <b>Current Liabilities</b>        | 10,404  | 16,297  | 18,828 |
| <b>Fixed Liabilities</b>          | 1,794   | 1,457   | 10,162 |
| <b>Total Liabilities</b>          | 12,198  | 17,754  | 28,990 |
| <b>Common Stock</b>               | 17,000  | 17,000  | 17,000 |
| <b>Capital Surplus</b>            | 544     | 544     | 544    |
| <b>Capital Reseves</b>            | 544     | 544     | -      |
| <b>Assets Revaluation Surplus</b> | -       | -       | 544    |
| <b>Retained Earnings</b>          | 10,829  | 10,638  | 7,608  |
| <b>Capital Adjustment</b>         | -       | -       | -      |
| <b>Shareholders' Equity</b>       | 28,373  | 28,182  | 25,152 |
| <b>Sales</b>                      | 109,004 | 104,206 | 95,712 |
| <b>Operating Income</b>           | 5,614   | 5,175   | 3,550  |
| <b>Ordinary Income</b>            | 228     | 5,404   | 5,731  |
| <b>Net Income</b>                 | 191     | 3,729   | 3,129  |

# POSDATA

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 63,573  | 82,269  | 57,442  |
| Quick Asset                | 59,356  | 79,502  | 54,684  |
| Inventory                  | 4,217   | 2,767   | 2,758   |
| Fixed Asset                | 130,783 | 94,841  | 78,122  |
| Investment                 | 23,195  | 7,856   | 16,882  |
| Tangible Asset             | 102,026 | 84,366  | 59,251  |
| Intangible Asset           | 5,562   | 2,620   | 1,989   |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 194,356 | 177,110 | 135,564 |
| Current Liabilities        | 63,692  | 82,123  | 59,539  |
| Fixed Liabilities          | 33,028  | 7,408   | 29,832  |
| Total Liabilities          | 96,720  | 89,532  | 89,370  |
| Common Stock               | 30,776  | 30,776  | 35,000  |
| Capital Surplus            | 37,106  | 37,106  | -       |
| Capital Reseves            | 37,106  | 37,106  | -       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 29,756  | 19,697  | 11,194  |
| Capital Adjustment         | -2      | -       | -       |
| Shareholders' Equity       | 97,636  | 87,578  | 46,194  |
| Sales                      | 301,917 | 269,335 | 181,416 |
| Operating Income           | 17,347  | 16,607  | 7,193   |
| Ordinary Income            | 14,917  | 16,566  | 6,462   |
| Net Income                 | 13,136  | 11,540  | 5,708   |

# POSRI

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 13,007 | 11,658 | 16,282 |
| Quick Asset                | 13,007 | 11,658 | 16,282 |
| Inventory                  | -      | -      | -      |
| Fixed Asset                | 12,120 | 12,834 | 13,643 |
| Investment                 | 1,195  | 1,315  | 2,030  |
| Tangible Asset             | 10,576 | 11,079 | 11,613 |
| Intangible Asset           | 349    | 440    | -      |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 25,127 | 24,493 | 29,926 |
| Current Liabilities        | 1,450  | 1,298  | 6,695  |
| Fixed Liabilities          | 431    | 223    | 913    |
| Total Liabilities          | 1,881  | 1,520  | 7,608  |
| Common Stock               | 20,000 | 20,000 | 20,000 |
| Capital Surplus            | -      | -      | -      |
| Capital Reseves            | -      | -      | -      |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | 3,246  | 2,973  | 2,318  |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 23,246 | 22,973 | 22,318 |
| Sales                      | 11,872 | 12,019 | 9,041  |
| Operating Income           | -167   | 212    | 20     |
| Ordinary Income            | 403    | 968    | 1,176  |
| Net Income                 | 273    | 655    | 811    |

# Seung Kwang

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 574    | 354    | 4,647  |
| Quick Asset                | 379    | 191    | 4,520  |
| Inventory                  | 195    | 163    | 126    |
| Fixed Asset                | 75,120 | 76,343 | 75,160 |
| Investment                 | 8,916  | 8,897  | 8,480  |
| Tangible Asset             | 66,204 | 67,446 | 66,680 |
| Intangible Asset           | -      | -      | -      |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 75,694 | 76,697 | 79,807 |
| Current Liabilities        | 6,769  | 9,298  | 1,967  |
| Fixed Liabilities          | 30,338 | 30,253 | 40,255 |
| Total Liabilities          | 37,107 | 39,551 | 42,222 |
| Common Stock               | 41,450 | 41,450 | 41,450 |
| Capital Surplus            | 913    | 913    | 913    |
| Capital Reseves            | 913    | 913    | 913    |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | -3,776 | -5,217 | -5,498 |
| Capital Adjustment         | -      | -      | 721    |
| Shareholders' Equity       | 38,587 | 37,146 | 37,585 |
| Sales                      | 11,512 | 9,301  | 7,022  |
| Operating Income           | 2,031  | 939    | 837    |
| Ordinary Income            | 1,515  | 282    | 3      |
| Net Income                 | 1,441  | 282    | -265   |

POS A.C.

(Million Won)

|                                       | 2001   | 2000   | 1999   |
|---------------------------------------|--------|--------|--------|
| <b>Current Asset</b>                  | 8,180  | 7,979  | 7,564  |
| <b>Quick Asset</b>                    | 8,180  | 7,979  | 7,564  |
| <b>Inventory</b>                      | -      | -      | -      |
| <b>Fixed Asset</b>                    | 1,819  | 1,306  | 2,796  |
| <b>Investment</b>                     | 1,467  | 1,105  | 2,506  |
| <b>Tangible Asset</b>                 | 352    | 201    | 290    |
| <b>Intangible Asset</b>               | -      | -      | -      |
| <b>Deferred Asset</b>                 | -      | -      | -      |
| <b>Total Asset</b>                    | 9,999  | 9,285  | 10,360 |
| <b>Current Liabilities</b>            | 2,246  | 2,304  | 1,671  |
| <b>Fixed Liabilities</b>              | 1,123  | 858    | 3,033  |
| <b>Total Liabilities</b>              | 3,369  | 3,162  | 4,704  |
| <b>Common Stock</b>                   | 1,300  | 1,300  | 1,300  |
| <b>Capital Surplus</b>                | -      | -      | -      |
| <b>Capital Reseves</b>                | -      | -      | -      |
| <b>Assets Revaluation<br/>Surplus</b> | -      | -      | -      |
| <b>Retained Earnings</b>              | 5,330  | 4,823  | 4,357  |
| <b>Capital Adjustment</b>             | -      | -      | -      |
| <b>Shareholders' Equity</b>           | 6,630  | 6,123  | 5,657  |
| <b>Sales</b>                          | 20,746 | 16,479 | 15,492 |
| <b>Operating Income</b>               | 277    | 524    | 395    |
| <b>Ordinary Income</b>                | 624    | 685    | 460    |
| <b>Net Income</b>                     | 507    | 468    | 136    |

## Changwon Specialty Steel

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 210,158 | 355,751 | 378,409 |
| Quick Asset                | 128,880 | 252,468 | 275,647 |
| Inventory                  | 81,278  | 103,283 | 102,762 |
| Fixed Asset                | 481,903 | 519,237 | 504,821 |
| Investment                 | 8,121   | 14,399  | 2,631   |
| Tangible Asset             | 422,806 | 448,601 | 438,432 |
| Intangible Asset           | 50,976  | 56,237  | 63,759  |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 692,061 | 874,988 | 883,230 |
| Current Liabilities        | 195,803 | 336,784 | 552,661 |
| Fixed Liabilities          | 77,335  | 162,060 | 25,645  |
| Total Liabilities          | 273,138 | 498,844 | 578,306 |
| Common Stock               | 360,000 | 360,000 | 360,000 |
| Capital Surplus            | 21      | 21      | -       |
| Capital Reserves           | 21      | 21      | -       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 58,902  | 16,122  | -55,076 |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 418,923 | 376,144 | 304,924 |
| Sales                      | 629,717 | 671,568 | 578,873 |
| Operating Income           | 48,468  | 61,571  | 69,786  |
| Ordinary Income            | 52,984  | 23,082  | 22,337  |
| Net Income                 | 46,380  | 16,771  | 15,609  |

**POSCO Machinery Co.**

(Million Won)

|                                   | 2001   | 2000   | 1999   |
|-----------------------------------|--------|--------|--------|
| <b>Current Asset</b>              | 19,015 | 21,543 | 19,079 |
| <b>Quick Asset</b>                | 18,888 | 21,467 | 19,069 |
| <b>Inventory</b>                  | 127    | 76     | 10     |
| <b>Fixed Asset</b>                | 10,206 | 9,296  | 15,608 |
| <b>Investment</b>                 | 2,541  | 1,405  | 7,403  |
| <b>Tangible Asset</b>             | 7,347  | 7,859  | 8,162  |
| <b>Intangible Asset</b>           | 318    | 32     | 43     |
| <b>Deferred Asset</b>             | -      | -      | -      |
| <b>Total Asset</b>                | 29,221 | 30,840 | 34,687 |
| <b>Current Liabilities</b>        | 9,221  | 12,578 | 8,228  |
| <b>Fixed Liabilities</b>          | 828    | 425    | 11,083 |
| <b>Total Liabilities</b>          | 10,049 | 13,003 | 19,311 |
| <b>Common Stock</b>               | 10,000 | 10,000 | 10,000 |
| <b>Capital Surplus</b>            | 3,229  | 3,229  | 3,229  |
| <b>Capital Reseves</b>            | 3,229  | 3,229  | 3,229  |
| <b>Assets Revaluation Surplus</b> | -      | -      | -      |
| <b>Retained Earnings</b>          | 5,943  | 4,608  | 2,148  |
| <b>Capital Adjustment</b>         | -      | -      | -      |
| <b>Shareholders' Equity</b>       | 19,172 | 17,837 | 15,377 |
| <b>Sales</b>                      | 69,498 | 67,255 | 52,277 |
| <b>Operating Income</b>           | 3,724  | 4,045  | 3,305  |
| <b>Ordinary Income</b>            | 1,905  | 4,261  | 4,631  |
| <b>Net Income</b>                 | 1,335  | 2,960  | 3,148  |

# POSREC

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 68,905  | 71,115  | 70,650  |
| Quick Asset                | 44,027  | 41,482  | 43,432  |
| Inventory                  | 24,878  | 29,633  | 27,217  |
| Fixed Asset                | 46,835  | 52,483  | 74,197  |
| Investment                 | 7,151   | 11,251  | 29,995  |
| Tangible Asset             | 39,347  | 40,915  | 44,202  |
| Intangible Asset           | 337     | 316     | -       |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 115,740 | 123,598 | 144,847 |
| Current Liabilities        | 41,694  | 39,569  | 54,466  |
| Fixed Liabilities          | 2,138   | 26,326  | 37,745  |
| Total Liabilities          | 43,832  | 65,895  | 92,211  |
| Common Stock               | 29,535  | 37,500  | 37,500  |
| Capital Surplus            | 23,556  | 3,311   | 3,311   |
| Capital Reseves            | 23,556  |         |         |
| Assets Revaluation Surplus | -       |         |         |
| Retained Earnings          | 18,817  | 16,892  | 11,825  |
| Capital Adjustment         | -       | 1       | -       |
| Shareholders' Equity       | 71,908  | 57,703  | 52,636  |
| Sales                      | 184,994 | 187,857 | 181,004 |
| Operating Income           | 7,980   | 11,523  | 9,343   |
| Ordinary Income            | 6,442   | 7,438   | 4,732   |
| Net Income                 | 4,909   | 5,060   | 4,036   |

**POSTECH**  
**Venture**

(Million Won)

|                                   | 2001   | 2000   | 1999   |
|-----------------------------------|--------|--------|--------|
| <b>Current Asset</b>              | 9,649  | 13,639 | 10,375 |
| <b>Quick Asset</b>                | 9,649  | 13,639 | 10,375 |
| <b>Inventory</b>                  | -      | -      | -      |
| <b>Fixed Asset</b>                | 26,172 | 23,655 | 11,938 |
| <b>Investment</b>                 | 26,115 | 23,530 | 11,871 |
| <b>Tangible Asset</b>             | 57     | 115    | 45     |
| <b>Intangible Asset</b>           | -      | 11     | 21     |
| <b>Deferred Asset</b>             | -      | -      | -      |
| <b>Total Asset</b>                | 35,821 | 37,294 | 22,312 |
| <b>Current Liabilities</b>        | 137    | 157    | 74     |
| <b>Fixed Liabilities</b>          | 287    | 319    | 331    |
| <b>Total Liabilities</b>          | 424    | 476    | 405    |
| <b>Common Stock</b>               | 30,000 | 30,000 | 20,000 |
| <b>Capital Surplus</b>            | -      | -      | -      |
| <b>Capital Reseves</b>            | -      | -      | -      |
| <b>Assets Revaluation Surplus</b> | -      | -      | -      |
| <b>Retained Earnings</b>          | 2,580  | 2,376  | 1,907  |
| <b>Capital Adjustment</b>         | 2,817  | 4,442  | -      |
| <b>Shareholders' Equity</b>       | 35,397 | 36,818 | 21,907 |
| <b>Sales</b>                      | 1,397  | 1,256  | 1,067  |
| <b>Operating Income</b>           | 250    | 456    | 494    |
| <b>Ordinary Income</b>            | 301    | 607    | 487    |
| <b>Net Income</b>                 | 204    | 522    | 472    |

# Korea Daily News

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 36,331  | 53,873  | 76,357  |
| Quick Asset                | 35,772  | 53,361  | 75,813  |
| Inventory                  | 559     | 512     | 544     |
| Fixed Asset                | 189,289 | 213,137 | 253,521 |
| Investment                 | 37,616  | 51,907  | 90,767  |
| Tangible Asset             | 151,656 | 161,208 | 162,726 |
| Intangible Asset           | 17      | 22      | 28      |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 225,620 | 267,010 | 329,878 |
| Current Liabilities        | 66,437  | 127,808 | 124,900 |
| Fixed Liabilities          | 96,587  | 36,490  | 109,036 |
| Total Liabilities          | 163,024 | 164,298 | 233,936 |
| Common Stock               | 25,371  | 54,445  | 54,445  |
| Capital Surplus            | 33,949  | 18,680  | 18,680  |
| Capital Reseves            | 29,073  | -       | -       |
| Assets Revaluation Surplus | 4,876   | 18,680  | 18,680  |
| Retained Earnings          | -       | 33,229  | 22,715  |
| Capital Adjustment         | 3,276   | -3,642  | 102     |
| Shareholders' Equity       | 62,596  | 102,712 | 95,942  |
| Sales                      | 93,976  | 105,075 | 157,716 |
| Operating Income           | -7,375  | -22,742 | -25,799 |
| Ordinary Income            | -29,509 | 19,520  | -14,826 |
| Net Income                 | -47,034 | 10,518  | -10,367 |

# Kognotec Korea

(Million Won)

|                                   | 2001  |  |  |
|-----------------------------------|-------|--|--|
| <b>Current Asset</b>              | 634   |  |  |
| <b>Quick Asset</b>                | 634   |  |  |
| <b>Inventory</b>                  | -     |  |  |
| <b>Fixed Asset</b>                | 114   |  |  |
| <b>Investment</b>                 | 58    |  |  |
| <b>Tangible Asset</b>             | 35    |  |  |
| <b>Intangible Asset</b>           | 22    |  |  |
| <b>Deferred Asset</b>             | -     |  |  |
| <b>Total Asset</b>                | 749   |  |  |
| <b>Current Liabilities</b>        | 13    |  |  |
| <b>Fixed Liabilities</b>          | -     |  |  |
| <b>Total Liabilities</b>          | 13    |  |  |
| <b>Common Stock</b>               | 1,000 |  |  |
| <b>Capital Surplus</b>            | -     |  |  |
| <b>Capital Reseves</b>            | -     |  |  |
| <b>Assets Revaluation Surplus</b> | -     |  |  |
| <b>Retained Earnings</b>          | -261  |  |  |
| <b>Capital Adjustment</b>         | -4    |  |  |
| <b>Shareholders' Equity</b>       | 736   |  |  |
| <b>Sales</b>                      | -     |  |  |
| <b>Operating Income</b>           | -278  |  |  |
| <b>Ordinary Income</b>            | -261  |  |  |
| <b>Net Income</b>                 | -261  |  |  |

# POSAM

(Million Won)

|                            | 2001     | 2000     | 1999     |
|----------------------------|----------|----------|----------|
| Current Asset              | 110,917  | 110,653  | 103,436  |
| Quick Asset                | 103,286  | 102,092  | 94,955   |
| Inventory                  | 7,631    | 8,561    | 8,481    |
| Fixed Asset                | 139,294  | 145,403  | 132,077  |
| Investment                 | 137,707  | 143,722  | 130,454  |
| Tangible Asset             | 1,587    | 1,681    | 1,623    |
| Intangible Asset           | -        | -        | -        |
| Deferred Asset             | -        | -        | -        |
| Total Asset                | 250,211  | 256,056  | 235,513  |
| Current Liabilities        | 133,426  | 143,902  | 137,954  |
| Fixed Liabilities          | -        | -        | -        |
| Total Liabilities          | 133,426  | 143,902  | 137,954  |
| Common Stock               | 329,249  | 357,354  | 324,929  |
| Capital Surplus            | 20,420   | 1        | 1        |
| Capital Reseves            | 20,420   | 1        | 1        |
| Assets Revaluation Surplus | -        | -        | -        |
| Retained Earnings          | -232,884 | -245,201 | -227,371 |
| Capital Adjustment         | -        | -        | -        |
| Shareholders' Equity       | 116,785  | 112,154  | 97,559   |
| Sales                      | 300,036  | 399,345  | 361,794  |
| Operating Income           | 7,832    | 12,050   | 9,748    |
| Ordinary Income            | 22,235   | 7,106    | -15,783  |
| Net Income                 | 24,572   | 4,362    | -15,943  |

# POSA

(Million Won)

|                                   | 2001    | 2000    | 1999    |
|-----------------------------------|---------|---------|---------|
| <b>Current Asset</b>              | 38,442  | 74,246  | 74,557  |
| <b>Quick Asset</b>                | 36,297  | 71,754  | 72,608  |
| <b>Inventory</b>                  | 2,145   | 2,492   | 1,949   |
| <b>Fixed Asset</b>                | 24,329  | 24,341  | 26,964  |
| <b>Investment</b>                 | 4,071   | 7,459   | 8,251   |
| <b>Tangible Asset</b>             | 15,384  | 16,882  | 18,713  |
| <b>Intangible Asset</b>           | 4,874   | -       | -       |
| <b>Deferred Asset</b>             | -       | -       | -       |
| <b>Total Asset</b>                | 62,771  | 98,587  | 101,521 |
| <b>Current Liabilities</b>        | 9,821   | 55,682  | 60,749  |
| <b>Fixed Liabilities</b>          | 5,297   | 6,250   | 6,220   |
| <b>Total Liabilities</b>          | 15,118  | 61,933  | 66,970  |
| <b>Common Stock</b>               | 25,853  | 26,797  | 28,412  |
| <b>Capital Surplus</b>            | -       | -       | -       |
| <b>Capital Reseves</b>            | -       | -       | -       |
| <b>Assets Revaluation Surplus</b> | -       | -       | -       |
| <b>Retained Earnings</b>          | 21,800  | 9,858   | 6,139   |
| <b>Capital Adjustment</b>         | -       | -       | -       |
| <b>Shareholders' Equity</b>       | 47,653  | 36,655  | 34,551  |
| <b>Sales</b>                      | 113,702 | 170,304 | 193,123 |
| <b>Operating Income</b>           | 14,575  | 7,845   | 6,236   |
| <b>Ordinary Income</b>            | 17,213  | 10,491  | 6,511   |
| <b>Net Income</b>                 | 12,095  | 7,554   | 4,164   |

# POSCAN

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 17,779 | 12,667 | 21,210 |
| Quick Asset                | 11,757 | 5,068  | 15,387 |
| Inventory                  | 6,022  | 7,599  | 5,823  |
| Fixed Asset                | 35,998 | 36,305 | 34,832 |
| Investment                 | 2,083  | 2,100  | 1,970  |
| Tangible Asset             | 22,359 | 23,064 | 22,645 |
| Intangible Asset           | 11,556 | 11,141 | 10,217 |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 53,777 | 48,972 | 56,041 |
| Current Liabilities        | 3,890  | 3,805  | 11,515 |
| Fixed Liabilities          | 1,148  | -      | -      |
| Total Liabilities          | 5,038  | 3,805  | 11,515 |
| Common Stock               | 45,829 | 46,212 | 43,340 |
| Capital Surplus            | -      | -      | -      |
| Capital Reseves            | -      | -      | -      |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | 2,910  | -1,045 | 1,187  |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 48,739 | 45,167 | 44,527 |
| Sales                      | 61,837 | 48,958 | 57,351 |
| Operating Income           | 8,222  | 1,194  | 4,385  |
| Ordinary Income            | 8,794  | 1,563  | 4,327  |
| Net Income                 | 7,282  | 1,259  | 3,928  |

POA

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 110,205 | 74,371  | 70,183  |
| Quick Asset                | 110,205 | 74,371  | 70,183  |
| Inventory                  | -       | -       | -       |
| Fixed Asset                | 2,616   | 2,599   | 2,639   |
| Investment                 | 757     | 719     | 654     |
| Tangible Asset             | 1,859   | 1,880   | 1,985   |
| Intangible Asset           | -       | -       | -       |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 112,821 | 76,970  | 72,822  |
| Current Liabilities        | 105,635 | 70,197  | 66,856  |
| Fixed Liabilities          | 1,147   | 1,038   | 673     |
| Total Liabilities          | 106,782 | 71,234  | 67,528  |
| Common Stock               | 1,591   | 1,512   | 1,374   |
| Capital Surplus            | 85      | 81      | 74      |
| Capital Reseves            | 85      | 81      | 74      |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 4,363   | 4,143   | 3,845   |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 6,039   | 5,736   | 5,294   |
| Sales                      | 668,843 | 690,038 | 480,288 |
| Operating Income           | 2,418   | 2,211   | 555     |
| Ordinary Income            | 2,410   | 2,699   | 564     |
| Net Income                 | 2,091   | 2,384   | 466     |

**PIO**

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 100,525 | 184,218 | 179,250 |
| Quick Asset                | 86,422  | 157,414 | 160,098 |
| Inventory                  | 14,103  | 26,804  | 19,152  |
| Fixed Asset                | 48,344  | 53,925  | 55,523  |
| Investment                 | 3,881   | 4,553   | 4,536   |
| Tangible Asset             | 44,463  | 49,372  | 50,987  |
| Intangible Asset           | -       | -       | -       |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 148,869 | 238,143 | 234,773 |
| Current Liabilities        | 127,703 | 212,242 | 202,611 |
| Fixed Liabilities          | 13,442  | 17,508  | 22,222  |
| Total Liabilities          | 141,145 | 229,750 | 224,833 |
| Common Stock               | 404     | 441     | 449     |
| Capital Surplus            | -       | -       | -       |
| Capital Reseves            | -       | -       | -       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 7,320   | 7,952   | 9,491   |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 7,724   | 8,393   | 9,940   |
| Sales                      | 273,761 | 398,653 | 385,829 |
| Operating Income           | 2,114   | 5,055   | 6,907   |
| Ordinary Income            | 804     | 2,396   | 4,502   |
| Net Income                 | 290     | 1,216   | 2,092   |

VPS

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 17,231 | 18,710 | 15,430 |
| Quick Asset                | 6,068  | 7,569  | 5,595  |
| Inventory                  | 11,163 | 11,141 | 9,835  |
| Fixed Asset                | 23,181 | 24,570 | 25,603 |
| Investment                 | 29     | 27     | -      |
| Tangible Asset             | 21,049 | 22,396 | 23,113 |
| Intangible Asset           | 2,103  | 2,146  | 2,490  |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 40,412 | 43,280 | 41,033 |
| Current Liabilities        | 12,032 | 18,401 | 19,088 |
| Fixed Liabilities          | 6,655  | 8,094  | 10,851 |
| Total Liabilities          | 18,687 | 26,496 | 29,939 |
| Common Stock               | 17,042 | 16,154 | 15,116 |
| Capital Surplus            | -      | -      | -      |
| Capital Reseves            | -      | -      | -      |
| Assets Revaluation surplus | -      | -      | -      |
| Retained Earnings          | 4,683  | 631    | -4,022 |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 21,725 | 16,784 | 11,094 |
| Sales                      | 89,181 | 71,796 | 63,728 |
| Operating Income           | 10,268 | 8,029  | 7,496  |
| Ordinary Income            | 8,041  | 5,140  | 4,921  |
| Net Income                 | 7,562  | 4,865  | 5,352  |

# **POSMETAL**

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 20,116 | 25,959 | 26,714 |
| Quick Asset                | 15,426 | 19,554 | 20,318 |
| Inventory                  | 4,690  | 6,406  | 6,396  |
| Fixed Asset                | 11,367 | 12,874 | 13,639 |
| Investment                 | 1,001  | 843    | 562    |
| Tangible Asset             | 10,305 | 11,927 | 12,932 |
| Intangible Asset           | 61     | 103    | 146    |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 31,483 | 38,833 | 40,353 |
| Current Liabilities        | 22,929 | 33,532 | 34,075 |
| Fixed Liabilities          | 4,053  | 551    | 1,683  |
| Total Liabilities          | 26,982 | 34,082 | 35,757 |
| Common Stock               | 3,028  | 3,305  | 3,366  |
| Capital Surplus            | -      | -      | -      |
| Capital Reseves            | -      | -      | -      |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | 1,473  | 1,446  | 1,230  |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 4,501  | 4,751  | 4,595  |
| Sales                      | 38,858 | 42,017 | 39,965 |
| Operating Income           | 608    | 1,010  | 1,018  |
| Ordinary Income            | 594    | 920    | 1,030  |
| Net Income                 | 286    | 479    | 613    |

# Shanghai Posec Real Estate Development

(Million Won)

|                                   | 2001    | 2000    | 1999    |
|-----------------------------------|---------|---------|---------|
| <b>Current Asset</b>              | 465     | 1,824   | 7,970   |
| <b>Quick Asset</b>                | 430     | 1,795   | 7,951   |
| <b>Inventory</b>                  | 35      | 29      | 19      |
| <b>Fixed Asset</b>                | 182,916 | 177,812 | 158,840 |
| <b>Investment</b>                 | 270     | 262     | 263     |
| <b>Tangible Asset</b>             | 150,499 | 145,687 | 150,792 |
| <b>Intangible Asset</b>           | 32,147  | 31,864  | 7,785   |
| <b>Deferred Asset</b>             | -       | -       | -       |
| <b>Total Asset</b>                | 183,381 | 179,636 | 166,810 |
| <b>Current Liabilities</b>        | 113,514 | 93,719  | 25,337  |
| <b>Fixed Liabilities</b>          | -       | 16,972  | 68,514  |
| <b>Total Liabilities</b>          | 113,514 | 110,690 | 93,850  |
| <b>Common Stock</b>               | 83,004  | 78,844  | 71,674  |
| <b>Capital Surplus</b>            | -       | -       | -       |
| <b>Capital Reseves</b>            | -       | -       | -       |
| <b>Assets Revaluation Surplus</b> | -       | -       | -       |
| <b>Retained Earnings</b>          | -13,137 | -9,898  | 1,286   |
| <b>Capital Adjustment</b>         | -       | -       | -       |
| <b>Shareholders' Equity</b>       | 69,867  | 68,946  | 72,959  |
| <b>Sales</b>                      | 11,557  | 2,616   | -       |
| <b>Operating Income</b>           | 3,065   | -2,727  | -       |
| <b>Ordinary Income</b>            | -2,645  | -8,131  | 1,342   |
| <b>Net Income</b>                 | -2,645  | -8,259  | 1,342   |

IBC

(Million Won)

|                            | 2001    | 2000    | 1999   |
|----------------------------|---------|---------|--------|
| Current Asset              | 1,519   | 10,136  | 10,671 |
| Quick Asset                | 1,499   | 10,117  | 8,981  |
| Inventory                  | 20      | 19      | 1,691  |
| Fixed Asset                | 114,553 | 95,839  | 85,746 |
| Investment                 | -       | -       | -      |
| Tangible Asset             | 107,920 | 90,885  | 80,976 |
| Intangible Asset           | 6,633   | 4,953   | 4,770  |
| Deferred Asset             | -       | -       | -      |
| Total Asset                | 116,072 | 105,975 | 96,417 |
| Current Liabilities        | 73,412  | 66,742  | 22,054 |
| Fixed Liabilities          | 30,114  | 31,865  | 58,155 |
| Total Liabilities          | 103,526 | 98,608  | 80,209 |
| Common Stock               | 30,970  | 22,620  | 21,167 |
| Capital Surplus            | -       | -       | -      |
| Capital Reseves            | -       | -       | -      |
| Assets Revaluation Surplus | -       | -       | -      |
| Retained Earnings          | -18,541 | -13,117 | -4,887 |
| Capital Adjustment         | 117     | -2,136  | -72    |
| Shareholders' Equity       | 12,546  | 7,367   | 16,208 |
| Sales                      | 8,650   | 4,056   | 1,351  |
| Operating Income           | 978     | 737     | -475   |
| Ordinary Income            | -4,674  | -7,256  | -5,102 |
| Net Income                 | -4,674  | -7,256  | -5,102 |

POS-Tianjin Coil Center Co.

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 18,805 | 17,448 | 13,298 |
| Quick Asset                | 12,825 | 11,496 | 8,531  |
| Inventory                  | 5,980  | 5,953  | 4,767  |
| Fixed Asset                | 7,649  | 8,019  | 8,096  |
| Investment                 | -      | -      | -      |
| Tangible Asset             | 6,301  | 6,622  | 6,685  |
| Intangible Asset           | 1,348  | 1,397  | 1,411  |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 26,454 | 25,468 | 21,394 |
| Current Liabilities        | 14,672 | 14,386 | 11,758 |
| Fixed Liabilities          | -      | -      | -      |
| Total Liabilities          | 14,672 | 14,386 | 11,758 |
| Common Stock               | 11,292 | 10,726 | 9,750  |
| Capital Surplus            | -      | -      | -      |
| Capital Reseves            | -      | -      | -      |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | 490    | 356    | -115   |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 11,782 | 11,081 | 9,636  |
| Sales                      | 35,036 | 30,593 | 27,744 |
| Operating Income           | 406    | 790    | 1,031  |
| Ordinary Income            | 113    | 402    | 77     |
| Net Income                 | 113    | 402    | 77     |

# Dalian POSCO-CFM Coated Steel

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 15,763  | 20,280  | 22,377  |
| Quick Asset                | 5,005   | 5,123   | 14,384  |
| Inventory                  | 10,758  | 15,157  | 7,993   |
| Fixed Asset                | 53,504  | 52,849  | 52,677  |
| Investment                 | 66      | 63      | 57      |
| Tangible Asset             | 50,085  | 49,855  | 49,596  |
| Intangible Asset           | 3,353   | 2,931   | 3,024   |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 69,267  | 73,129  | 75,055  |
| Current Liabilities        | 29,170  | 34,845  | 48,527  |
| Fixed Liabilities          | 26      | 24      | 19      |
| Total Liabilities          | 29,196  | 34,869  | 48,546  |
| Common Stock               | 34,836  | 31,546  | 28,684  |
| Capital Surplus            | 19      | 9       | 8       |
| Capital Reseves            | 19      | 9       | 8       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 5,216   | 6,705   | -2,184  |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 40,071  | 38,260  | 26,509  |
| Sales                      | 123,534 | 142,010 | 108,551 |
| Operating Income           | 4,273   | 10,260  | 5,565   |
| Ordinary Income            | 2,624   | 8,173   | 2,147   |
| Net Income                 | 2,624   | 8,173   | 2,147   |

# POS-LILAMA

(Million Won)

|                            | 2001    | 2000    | 1999   |
|----------------------------|---------|---------|--------|
| Current Asset              | 1,976   | 1,838   | 2,536  |
| Quick Asset                | 898     | 674     | 1,293  |
| Inventory                  | 1,078   | 1,165   | 1,243  |
| Fixed Asset                | 11,321  | 9,041   | 9,758  |
| Investment                 | 11      | 7       | 15     |
| Tangible Asset             | 8,163   | 6,582   | 7,188  |
| Intangible Asset           | 3,147   | 2,452   | 2,555  |
| Deferred Asset             | -       | -       | -      |
| Total Asset                | 13,297  | 10,879  | 12,294 |
| Current Liabilities        | 3,086   | 7,807   | 6,080  |
| Fixed Liabilities          | 16,576  | 9,430   | 8,564  |
| Total Liabilities          | 19,662  | 17,237  | 14,644 |
| Common Stock               | 10,908  | 8,625   | 8,194  |
| Capital Surplus            | -       | -       | -2,986 |
| Capital Reseves            | -       | -       | -2,986 |
| Assets Revaluation Surplus | -       | -       | -      |
| Retained Earnings          | -14,320 | -11,258 | -7,558 |
| Capital Adjustment         | -2,953  | -3,725  | -      |
| Shareholders' Equity       | -6,365  | -6,358  | -2,350 |
| Sales                      | 2,283   | 742     | 1,370  |
| Operating Income           | -1,125  | -1,703  | -1,397 |
| Ordinary Income            | -2,246  | -2,813  | -2,505 |
| Net Income                 | -2,353  | -2,823  | -2,501 |

# Zhangjiagang POSCO Stainless Steel

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 103,438 | 90,529  | 64,694  |
| Quick Asset                | 55,858  | 48,853  | 31,273  |
| Inventory                  | 47,580  | 41,676  | 33,422  |
| Fixed Asset                | 168,260 | 143,563 | 143,451 |
| Investment                 | 6,370   | 5,810   | 4,531   |
| Tangible Asset             | 154,205 | 130,607 | 131,236 |
| Intangible Asset           | 7,685   | 7,146   | 7,684   |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 271,698 | 234,092 | 208,145 |
| Current Liabilities        | 84,209  | 74,649  | 35,053  |
| Fixed Liabilities          | 41,424  | 57,305  | 88,561  |
| Total Liabilities          | 125,633 | 131,955 | 123,614 |
| Common Stock               | 127,069 | 90,740  | 82,488  |
| Capital Surplus            | -       | -       | -       |
| Capital Reseves            | -       | -       | -       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 18,996  | 11,398  | 2,043   |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 146,065 | 102,138 | 84,532  |
| Sales                      | 454,725 | 312,641 | 163,867 |
| Operating Income           | 19,920  | 13,249  | 10,162  |
| Ordinary Income            | 15,096  | 7,635   | 4,265   |
| Net Income                 | 13,936  | 7,635   | 4,265   |

# Shunde Pohang Coated Steel

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 15,923 | 14,180 | 11,498 |
| Quick Asset                | 8,421  | 8,604  | 1,947  |
| Inventory                  | 7,502  | 5,576  | 9,550  |
| Fixed Asset                | 27,912 | 29,749 | 29,951 |
| Investment                 | -      | -      | -      |
| Tangible Asset             | 25,042 | 26,412 | 26,452 |
| Intangible Asset           | 2,870  | 3,337  | 3,499  |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 43,835 | 43,930 | 41,449 |
| Current Liabilities        | 21,206 | 19,216 | 15,676 |
| Fixed Liabilities          | -      | 6,365  | 11,582 |
| Total Liabilities          | 21,206 | 25,581 | 27,258 |
| Common Stock               | 20,671 | 17,983 | 16,347 |
| Capital Surplus            | 8      | 8      | 7      |
| Capital Reseves            | 8      | 8      | 7      |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | 1,950  | 358    | -2,163 |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 22,629 | 18,349 | 14,191 |
| Sales                      | 68,208 | 61,125 | 58,070 |
| Operating Income           | 2,702  | 3,931  | 838    |
| Ordinary Income            | 1,584  | 2,347  | -983   |
| Net Income                 | 1,584  | 2,347  | -983   |

# POS-THAI

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 15,505 | 12,365 | 13,401 |
| Quick Asset                | 8,723  | 7,522  | 7,752  |
| Inventory                  | 6,782  | 4,843  | 5,649  |
| Fixed Asset                | 7,022  | 7,565  | 8,646  |
| Investment                 | -      | -      | -      |
| Tangible Asset             | 7,022  | 7,565  | 8,632  |
| Intangible Asset           | -      | -      | 15     |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 22,527 | 19,930 | 22,047 |
| Current Liabilities        | 16,059 | 9,655  | 16,972 |
| Fixed Liabilities          | -      | 4,166  | -      |
| Total Liabilities          | 16,059 | 13,821 | 16,972 |
| Common Stock               | 12,291 | 11,890 | 7,535  |
| Capital Surplus            | -      | -      | -      |
| Capital Reseves            | -      | -      | -      |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | -5,823 | -5,781 | -2,459 |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 6,468  | 6,109  | 5,076  |
| Sales                      | 24,698 | 17,275 | 15,841 |
| Operating Income           | 523    | -1,140 | -2,789 |
| Ordinary Income            | 241    | -3,244 | -3,460 |
| Net Income                 | 241    | -3,244 | -3,460 |

**POSVEN**

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 35,157  | 57,084  | 69,100  |
| Quick Asset                | 26,419  | 54,730  | 69,100  |
| Inventory                  | 8,738   | 2,354   | -       |
| Fixed Asset                | 356,131 | 395,240 | 343,238 |
| Investment                 | 10,221  | 6,212   | 4,381   |
| Tangible Asset             | 277,750 | 306,588 | 261,191 |
| Intangible Asset           | 68,160  | 82,439  | 77,666  |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 391,288 | 452,324 | 412,338 |
| Current Liabilities        | 354,510 | 350,809 | 10,180  |
| Fixed Liabilities          | -       | -       | 303,589 |
| Total Liabilities          | 354,510 | 350,809 | 313,769 |
| Common Stock               | 92,311  | 96,836  | 94,026  |
| Capital Surplus            | 4,461   | 4,679   | 4,543   |
| Capital Reseves            | 4,461   | 4,679   | 4,543   |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | -59,994 | -       | -       |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 36,778  | 101,516 | 98,570  |
| Sales                      | 24,507  | -       | -       |
| Operating Income           | -32,987 | -       | -       |
| Ordinary Income            | -62,102 | -       | -       |
| Net Income                 | -62,102 | -       | -       |

# Zhangjiagang Posa Steel Port

(Million Won)

|                            | 2001  | 2000   | 1999  |
|----------------------------|-------|--------|-------|
| Current Asset              | 1,835 | 2,282  | 1,327 |
| Quick Asset                | 1,808 | 2,257  | 1,306 |
| Inventory                  | 27    | 25     | 21    |
| Fixed Asset                | 7,787 | 7,941  | 7,647 |
| Investment                 | -     | -      | -     |
| Tangible Asset             | 6,833 | 6,804  | 6,405 |
| Intangible Asset           | 954   | 1,136  | 1,242 |
| Deferred Asset             | -     | -      | -     |
| Total Asset                | 9,622 | 10,223 | 8,975 |
| Current Liabilities        | 335   | 1,207  | 159   |
| Fixed Liabilities          | -     | 630    | 2,405 |
| Total Liabilities          | 335   | 1,837  | 2,565 |
| Common Stock               | 6,635 | 6,302  | 5,729 |
| Capital Surplus            | 5     | 4      | 4     |
| Capital Reseves            | 5     | 4      | 4     |
| Assets Revaluation Surplus | -     | -      | -     |
| Retained Earnings          | 2,647 | 2,079  | 677   |
| Capital Adjustment         | -     | -      | -     |
| Shareholders' Equity       | 9,287 | 8,386  | 6,410 |
| Sales                      | 2,080 | 2,696  | 2,375 |
| Operating Income           | 455   | 1,240  | 853   |
| Ordinary Income            | 447   | 1,117  | 635   |
| Net Income                 | 446   | 1,114  | 635   |

# **MYANMAR-POSCO**

(Million Won)

|                                   | 2001   | 2000   | 1999   |
|-----------------------------------|--------|--------|--------|
| <b>Current Asset</b>              | 5,762  | 4,705  | 4,308  |
| <b>Quick Asset</b>                | 2,349  | 2,908  | 1,519  |
| <b>Inventory</b>                  | 3,413  | 1,797  | 2,789  |
| <b>Fixed Asset</b>                | 4,870  | 5,282  | 5,990  |
| <b>Investment</b>                 | -      | -      | -      |
| <b>Tangible Asset</b>             | 4,430  | 4,655  | 5,224  |
| <b>Intangible Asset</b>           | 440    | 627    | 766    |
| <b>Deferred Asset</b>             | -      | -      | -      |
| <b>Total Asset</b>                | 10,632 | 9,987  | 10,298 |
| <b>Current Liabilities</b>        | 3,691  | 3,801  | 5,085  |
| <b>Fixed Liabilities</b>          | 1,591  | 2,267  | 2,062  |
| <b>Total Liabilities</b>          | 5,282  | 6,068  | 7,147  |
| <b>Common Stock</b>               | 4,244  | 4,031  | 3,665  |
| <b>Capital Surplus</b>            | 1      | 1      | 2      |
| <b>Capital Reseves</b>            | 1      | 1      | 2      |
| <b>Assets Revaluation Surplus</b> | -      | -      | -      |
| <b>Retained Earnings</b>          | 1,105  | -114   | -515   |
| <b>Capital Adjustment</b>         | -      | -      | -      |
| <b>Shareholders' Equity</b>       | 5,350  | 3,919  | 3,151  |
| <b>Sales</b>                      | 12,610 | 14,040 | 7,276  |
| <b>Operating Income</b>           | 1,533  | 492    | -541   |
| <b>Ordinary Income</b>            | 1,238  | 160    | -624   |
| <b>Net Income</b>                 | 1,238  | 160    | -571   |

# POSINVEST

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 2,056   | 6,971   | 18,606  |
| Quick Asset                | 2,056   | 6,971   | 18,606  |
| Inventory                  | -       | -       | -       |
| Fixed Asset                | 125,390 | 144,084 | 168,884 |
| Investment                 | 125,364 | 144,028 | 168,809 |
| Tangible Asset             | 26      | 55      | 75      |
| Intangible Asset           | -       | -       | -       |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 127,446 | 151,055 | 187,489 |
| Current Liabilities        | 100,911 | 98,028  | 128,358 |
| Fixed Liabilities          | -       | 25,194  | 34,390  |
| Total Liabilities          | 100,911 | 123,222 | 162,749 |
| Common Stock               | 26,522  | 25,194  | 22,908  |
| Capital Surplus            | -       | -       | -       |
| Capital Reseves            | -       | -       | -       |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | 13      | 2,639   | 1,833   |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 26,535  | 27,833  | 24,741  |
| Sales                      | -       | -       | -       |
| Operating Income           | -849    | -1,029  | -1,292  |
| Ordinary Income            | 3,639   | 2,358   | 1,935   |
| Net Income                 | 3,639   | 2,358   | 1,898   |

# KOBRASCO

(Million Won)

|                            | 2001    | 2000    | 1999    |
|----------------------------|---------|---------|---------|
| Current Asset              | 49,648  | 30,556  | 59,417  |
| Quick Asset                | 39,761  | 22,147  | 52,623  |
| Inventory                  | 9,887   | 8,409   | 6,794   |
| Fixed Asset                | 168,051 | 184,597 | 160,943 |
| Investment                 | 43,719  | 37,692  | 14,495  |
| Tangible Asset             | 120,328 | 141,633 | 140,684 |
| Intangible Asset           | 4,004   | 5,272   | 5,764   |
| Deferred Asset             | -       | -       | -       |
| Total Asset                | 217,699 | 215,153 | 220,359 |
| Current Liabilities        | 152,255 | 20,703  | 152,013 |
| Fixed Liabilities          | 36,388  | 161,344 | 51,743  |
| Total Liabilities          | 188,643 | 182,047 | 203,755 |
| Common Stock               | 44,884  | 51,407  | 49,703  |
| Capital Surplus            | 4,007   | 4,589   | 4,437   |
| Capital Reseves            | 4,007   | 4,589   | 4,437   |
| Assets Revaluation Surplus | -       | -       | -       |
| Retained Earnings          | -19,835 | -22,890 | -37,537 |
| Capital Adjustment         | -       | -       | -       |
| Shareholders' Equity       | 29,056  | 33,106  | 16,604  |
| Sales                      | 170,432 | 148,802 | 134,161 |
| Operating Income           | 36,639  | 30,030  | 29,898  |
| Ordinary Income            | 250     | 4,624   | -36,275 |
| Net Income                 | 148     | 3,458   | -37,150 |

# **POSCHROME**

(Million Won)

|                            | 2001   | 2000   | 1999   |
|----------------------------|--------|--------|--------|
| Current Asset              | 9,265  | 11,658 | 8,653  |
| Quick Asset                | 7,922  | 9,325  | 8,653  |
| Inventory                  | 1,343  | 2,334  | -      |
| Fixed Asset                | 13,807 | 21,912 | 25,306 |
| Investment                 | -      | -      | -      |
| Tangible Asset             | 13,807 | 21,912 | 25,306 |
| Intangible Asset           | -      | -      | -      |
| Deferred Asset             | -      | -      | -      |
| Total Asset                | 23,072 | 33,571 | 33,959 |
| Current Liabilities        | 1,843  | 5,351  | 2,783  |
| Fixed Liabilities          | 7,105  | 8,214  | 10,046 |
| Total Liabilities          | 8,948  | 13,565 | 12,830 |
| Common Stock               | 10     | 14     | 16     |
| Capital Surplus            | 9,625  | 14,468 | 16,092 |
| Capital Reseves            | 9,625  | 14,468 | 16,092 |
| Assets Revaluation Surplus | -      | -      | -      |
| Retained Earnings          | 4,489  | 5,523  | 5,021  |
| Capital Adjustment         | -      | -      | -      |
| Shareholders' Equity       | 14,124 | 20,006 | 21,129 |
| Sales                      | 21,053 | 26,180 | 23,550 |
| Operating Income           | 5,024  | 8,335  | 5,629  |
| Ordinary Income            | 4,650  | 8,005  | 4,762  |
| Net Income                 | 3,017  | 5,091  | 3,229  |

## C. Investment in another companies

[ Investment in Affiliates (Listed Companies)]

(1,000 shares, billion won)

|          | Accounting Item              | Company | Beginning Balance |           |                  | Change |                  | Ending Balance |           |                  | Date of acquisition or disposal | Reason          | Dividend Revenue |
|----------|------------------------------|---------|-------------------|-----------|------------------|--------|------------------|----------------|-----------|------------------|---------------------------------|-----------------|------------------|
|          |                              |         | Shares            | Ownership | Acquisition cost | Shares | Acquisition cost | Shares         | Ownership | Acquisition cost |                                 |                 |                  |
| Domestic | Stock of affiliate companies | POSDATA | 4,000             | 65.0%     | 35               |        |                  | 4,000          | 65.0%     | 35               |                                 |                 | 2                |
|          | Stock of affiliate companies | POSDR/C | 1,435             | 24.3%     | 16.9             | 2,109  | 239              | 3,544          | 60.0%     | 40.9             | '02.4.19                        | Take over stock |                  |
| Total    |                              |         | 5,435             |           | 51.9             | 2,109  | 239              | 7,544          |           | 75.9             |                                 |                 | 2                |

[Investments in Affiliates (Unlisted Companies)]

(1,000slans, billion won)

| Accounting Item                 | Company                     | Beginning Balance |           |                  | Change  |                  | Ending Balance |           |                  | Date of acquisition or disposal | Reason           | Dividend Revenue |
|---------------------------------|-----------------------------|-------------------|-----------|------------------|---------|------------------|----------------|-----------|------------------|---------------------------------|------------------|------------------|
|                                 |                             | Shares            | Ownership | Acquisition cost | Shares  | Acquisition cost | Shares         | Ownership | Acquisition cost |                                 |                  |                  |
| D Stock of affiliated companies | Pohang Coated Steel         | 4,000             | 95.2      | 96.2             |         |                  | 4,000          | 95.2      | 96.2             |                                 |                  | 3                |
| "                               | Changwon Specialty Steel    | 52,000            | 72.2      | 260              | -26,000 |                  | 26,000         | 86.7      | 260              | '02.6.25                        | Reduction        | 2.6              |
| "                               | POSCO                       | 8,909             | 96.8      | 49.8             | -5,810  |                  | 3,099          | 90.2      | 49.8             | '02.5.31                        | Capital increase | 1.3              |
| "                               | POSCO Machinery Engineering | 1,700             | 100       | 17.1             |         |                  | 1,700          | 100       | 17.1             |                                 |                  |                  |
| "                               | POSCO Machinery Co.         | 1,000             | 100       | 10               |         |                  | 1,000          | 100       | 10               |                                 |                  |                  |
| "                               | POSCOENC                    | 33,466            | 97.4      | 424.2            | 33,466  |                  | 66,932         | 97.4      | 424.2            | '02.4.27                        | Split par value  | 10               |
| "                               | POSAC                       | 130               | 100       | 1                |         |                  | 130            | 100       | 1                |                                 |                  |                  |
| "                               | POSTEEL                     | 17,155            | 95.3      | 113.4            |         |                  | 17,155         | 95.3      | 113.4            |                                 |                  |                  |
| "                               | Ssang Kwang                 | 2,737             | 66        | 28.4             |         |                  | 2,737          | 66        | 28.4             |                                 |                  |                  |
| "                               | POSDI                       | 3,800             | 95        | 19               |         |                  | 3,800          | 95        | 19               |                                 |                  |                  |



|                    |                                |           |       |         |  |      |           |       |         |  |               |  |
|--------------------|--------------------------------|-----------|-------|---------|--|------|-----------|-------|---------|--|---------------|--|
| "                  | POSCO-THAI STEEL               | 477       | 11.7  | 1.6     |  |      | 477       | 11.7  | 1.6     |  |               |  |
| "                  | Shunde Polang Coated Steel     |           | 90.8  | 13.8    |  | 80   |           | 93.5  | 21.8    |  | \$1,054 thou. |  |
| "                  | Shunde Ningbo Steel Center Co. |           | 10.5  | 0.9     |  |      |           | 10.5  | 0.9     |  |               |  |
| "                  | PLTAKNISI                      | 29,610    | 70.0  | 9.5     |  |      | 29,610    | 70.0  | 9.5     |  |               |  |
| "                  | MYANMAR POSCO                  | 13        | 70.0  | 2.2     |  |      | 13        | 70.0  | 2.2     |  |               |  |
| "                  | POSCO-HYUNDAI                  | 2,352     | 10.0  | 1.1     |  |      | 2,352     | 10.0  | 1.1     |  |               |  |
| "                  | POA                            | 9,360     | 100.0 | 7.4     |  |      | 9,360     | 100.0 | 7.4     |  |               |  |
| Overseas Sub-total |                                | 2,066,762 |       | 487     |  | 29.2 | 2,066,762 |       | 516.1   |  |               |  |
| Total              |                                | 2,199,783 |       | 1,557.4 |  | 29.2 | 2,201,439 |       | 1,586.6 |  |               |  |

- Change (Change per value of stock : 10,000won per stock → 5,000won. April 27 )
- Ownership of KOREA Daily NEWS was changed due to the increase of capital with consideration (Ownership change: 36.73% → 22.41%)
- POSREC : Ownership increase 24.3% → 60% (April 19)
- POSCON : Reduction without consideration (May 30) Reduction with consideration (May 31) (Ownership change : 96.8% → 90.2%)
- Changwon Specialty Steel Co. : Reduction with(without) consideration (Ownership change : 72.2% → 86.7%)
- Participate in the capital increase of Zhangjiagang Polang STS Steel and Shunde Polang Coated Steel

[Investments in Affiliates (Listed Companies)]

(1,000 shares, billion won)

|          | Accounting Item       | Company              | Beginning Balance |           |                  | Change |                  | Ending Balance |           |                  | Date of acquisition or disposal | Reason           | Dividend Revenue |
|----------|-----------------------|----------------------|-------------------|-----------|------------------|--------|------------------|----------------|-----------|------------------|---------------------------------|------------------|------------------|
|          |                       |                      | Shares            | Ownership | Acquisition cost | Shares | Acquisition cost | Shares         | Ownership | Acquisition cost |                                 |                  |                  |
| Domestic | Investment Securities | SK Telecom           | 5,795             | 6.50      | 1,657.3          |        |                  | 5,795          | 6.50      | 1,657.3          |                                 |                  | 4                |
|          | "                     | Sanjung P&A          | 270               | 9.00      | 2.7              |        |                  | 270            | 9.00      | 2.7              |                                 |                  | 0.2              |
|          | "                     | Korea Investment     | 59                | 1.30      | 0.6              |        |                  | 59             | 0.76      | 0.6              |                                 | Capital increase |                  |
|          | "                     | Hanil Steel          | 308               | 9.95      | 4                |        |                  | 308            | 9.95      | 4                |                                 |                  |                  |
|          | "                     | Minhae Steel         | 370               | 9.02      | 3.6              |        |                  | 370            | 9.02      | 3.6              |                                 |                  |                  |
|          | "                     | Chokung Bank         | 135               | 0.03      | 3.8              |        |                  | 135            | 0.03      | 3.8              |                                 |                  |                  |
|          | "                     | Hanjin Bank          | 4,440             | 3.57      | 30               | 178    |                  | 4,618          | 3.39      | 30               |                                 |                  |                  |
|          | "                     | Dong-yang Steel Pipe | 1,564             | 2.48      | 3.9              |        |                  | 1,564          | 2.48      | 3.9              |                                 |                  |                  |
|          | Sub Total             |                      | 12,941            |           | 1,705.9          | 178    |                  | 13,119         |           | 1,705.9          |                                 |                  |                  |
|          | Investment Securities | NSC                  | 137,266           | 2.02      | 265.8            | 10,610 | 19.3             | 147,876        | 2.17      | 285.1            |                                 |                  |                  |
| Total    |                       |                      | 150,207           |           | 1,971.7          | 10,788 | 19.3             | 160,995        |           | 1,991            |                                 |                  |                  |
| Overseas |                       |                      |                   |           |                  |        |                  |                |           |                  |                                 |                  |                  |

- Change:

1) NSC(Nippon Steel Corp.) : Purchasing in the Japanese stock market

2) Stock dividend of Hana Bank : 4% ( 0.04 share / 1 share )

3) Korea Investment : AS it was in the capital increase with consideration

POSCO Ownership was changed because other shareholders did not use real rights

[Investments in Affiliates (Unlisted Companies)]

(1,000 shares, billion won)

| Accounting Item         | Company                         | Beginning Balance |           |                  | Change |                  | Ending Balance |           |                  | Date of acquisition or disposal | Reason | Dividend Revenue |
|-------------------------|---------------------------------|-------------------|-----------|------------------|--------|------------------|----------------|-----------|------------------|---------------------------------|--------|------------------|
|                         |                                 | Shares            | Ownership | Acquisition cost | Shares | Acquisition cost | Shares         | Ownership | Acquisition cost |                                 |        |                  |
| D Investment Securities | Daejeong Steel                  | 1,786             | 19.00     | 8.9              |        |                  | 1,786          | 19.00     | 8.9              |                                 |        |                  |
| O "                     | Polang Pro-soccer Association   | 40                | 16.67     | 0.2              |        |                  | 40             | 16.67     | 0.2              |                                 |        |                  |
| M "                     | Changwon Pro-soccer Association | 20                | 13.20     | 0.1              |        |                  | 20             | 13.20     | 0.1              |                                 |        |                  |
| E "                     | Kihyup Finance                  | 600               | 10.34     | 3                |        |                  | 600            | 10.34     | 3                |                                 |        | 0.03             |
| S "                     | Powercom                        | 4,500             | 3.00      | 153              |        |                  | 4,500          | 3.00      | 153              |                                 |        |                  |
| T "                     | Gyeong Haecheon                 | 150               | 0.88      | 0.8              |        |                  | 150            | 0.88      | 0.8              |                                 |        |                  |
| I "                     | Korea Steel Daily               | 2                 | 2.67      | 0.02             |        |                  | 2              | 2.67      | 0.02             |                                 |        |                  |
| C "                     | Korea Economic Daily            | 57                | 0.46      | 0.3              |        |                  | 57             | 0.46      | 0.3              |                                 |        |                  |
|                         | POSHOME                         | 10                | 3.69      | 0.05             |        |                  | 10             | 3.69      | 0.05             |                                 |        |                  |
|                         | SK IMT                          | 7,200             | 12.00     | 192              |        |                  | 7,200          | 12.00     | 192              |                                 |        |                  |
|                         | Sub Total                       | 14,365            |           | 358.4            |        |                  | 14,365         |           | 358.4            |                                 |        |                  |
| F Investment Securities | GlobalUnity Ltd.                | 71                | 13.33     | 0.7              |        |                  | 71             | 13.33     | 0.7              |                                 |        |                  |
| O "                     | VINA PIPE                       |                   | 10.60     | 0.3              |        |                  |                | 10.60     | 0.3              |                                 |        |                  |
| R "                     | Siam United Steel               | 9,000             | 10.0      | 26.6             |        |                  | 9,000          | 10.0      | 26.6             |                                 |        |                  |
| E "                     |                                 |                   |           |                  |        |                  |                |           |                  |                                 |        |                  |



## VI. Stock and Stockholders

### 1. Distribution of shares

#### A. The largest shareholder and shareholders with special relation

| Shareholder                                 | Type         | Number of shares owned (ownership)    |          |          |                                   |
|---|--------------|---------------------------------------|----------|----------|-----------------------------------|
|   |              | Beginning Number of Shares (Interest) | Increase | Decrease | Ending Number of Shares(Interest) |
| Pohang University of Science and Technology | Common Stock | 3,358,200<br>(3.59 %)                 |          |          | 3,358,200<br>(3.59 %)             |
| Total                                       | "            | 3,358,200<br>(3.59 %)                 |          |          | 3,358,200<br>(3.59 %)             |

\* The largest shareholder : Pohang University of Science and Technology

\* Number of persons with special interest : 2

#### B. Major Stockholder with over 5% ownership

None

#### C. Ownership by Stockholders

| STOCKHOLDER                | NUMBER OF STOCKHOLDERS |         | NUMBER OF SHARES HELD |         |
|----------------------------|------------------------|---------|-----------------------|---------|
|                            |                        | %       |                       | %       |
| Government                 | 8                      | 0.01%   | 26,890                | 0.03%   |
| Government Managed Company |                        |         |                       |         |
| Securities company         | 51                     | 0.04%   | 207,968               | 0.22%   |
| Insurance Companies        | 40                     | 0.03%   | 861,165               | 0.92%   |
| Investment Trust companies | 171                    | 0.12%   | 6,569,880             | 7.02%   |
| Bank                       | 53                     | 0.04%   | 5,537,542             | 5.92%   |
| Merchant Bank              | 5                      | 0.00%   | 10,000                | 0.01%   |
| Mutual Savings             | 2                      | 0.00%   | 1,500                 | 0.00%   |
| Other Corporations         | 264                    | 0.18%   | 20,611,891            | 22.02%  |
| Individuals                | 139,864                | 97.70%  | 3,229,949             | 3.45%   |
| Foreigners                 | 2,694                  | 1.88%   | 56,532,700            | 60.40%  |
| Total                      | 143,152                | 100.00% | 93,589,485            | 100.00% |

**D. Shareholders by number of shares held**

|                                    | # of shareholders | %       | # of Shares | %       |
|------------------------------------|-------------------|---------|-------------|---------|
| Small Shareholder (Sub total)      | 143.139           | 99.99%  | 59,898,185  | 64.00%  |
| Small Shareholders (Institutes)    | 3.275             | 2.29%   | 56,668,236  | 60.55%  |
| Small shareholders<br>(Individual) | 139.864           | 97.70%  | 3,229,949   | 3.45%   |
| Largest Shareholders               | 1                 | 0.00%   | 3,028,200   | 3.24%   |
| Other shareholders (Sub total)     | 12                | 0.01%   | 30,663,100  | 32.76%  |
| Other shareholders                 | 12                | 0.01%   | 30,663,100  | 32.76%  |
| Other shareholders                 |                   |         |             |         |
| Total                              | 143.152           | 100.00% | 93,589,485  | 100.00% |

\* Including treasury shares

**2. Administration of Stock**

|   |  |
|---|--|
| Preemptive Rights   | See Article 11 and 13 of Articles of Incorporation                     |
| Book-Closing Date   | December 31  |
| Close of Shareholders' Registry                               | From January 1 to the Date of Ordinary General Meeting of Shareholders |
| Ordinary General Meeting of Shareholders                      | Within 3 months of Book Closing  |
| Type of Certificates of Stock by Number of Shares Represented | 1, 3, 4, 5, 10, 50, 100, 500, 1,000, 10,000                            |
| Newspapers Used for Public Notices to Shareholders            | Korea Daily News, Maeil Shinmun, Kwangju Ilbo                          |

**\* Articles of Incorporation****Pre-emptive Rights**

(1) Except as otherwise provided by Paragraphs (2) through (4) of this Article 11 and the mandatory provisions of the applicable laws or regulations, in case of the issuance of new shares, the shareholders of the Company shall have the right to subscribe for such newly issued shares in proportion to the number of shares held by each of them; provided, however, that the Company may, by resolution of the Board of Directors, allocate preferred shares to holders of preferred shares, or convertible preferred shares to holders of convertible preferred shares in proportion to the number of shares held by each of them.

(2) New shares may be allocated to persons other than the existing shareholders by a resolution of the Board of Directors in the following cases:

1. If the Company issues new shares by a public offering or has underwriters underwrite new shares by a public offering in accordance with the provisions of the Securities and Exchange Act;
2. If the Company allocates new shares to the members of the Company's Employee Stock Ownership Association in accordance with the provisions of the Securities and Exchange Act;
3. If the Company issues new shares for the issuance of depositary receipts in accordance with the Provisions of the Securities and Exchange Act;

4. If the Company issues new shares through offering to the public investors by the resolutions of the Board of Directors in accordance with the Securities and Exchange Act;
  5. If the Company issues new shares to the existing creditors in order to convert the debt into capital;
  6. If the Company issues new shares to the domestic and/or foreign entities in accordance with the joint venture agreement or technology license agreement executed by and between the Company and such entities for the management purposes;
  7. If the Company issues new shares to the domestic and/or foreign financial institutions in order to finance the Company in the emergent cases.
  8. If the Company issues new shares by the exercise of the stock option in accordance with the provisions of the Securities and Exchange Act
- (3) Any shares unsubscribe after the exercise of pre-emptive rights by shareholders who are entitled to them or any fractional shares remaining after the allocation of new shares may be disposed of by a resolution of the Board of Directors
- (4) Notwithstanding the provisions of Paragraphs (2) through (3) of this Article 11, new shares may be allocated to persons other than the existing shareholders if effected by special resolution of a General Meeting of Shareholders.
- (5) In case the Company issues new shares by a rights offering, bonus issue or stock dividend, such shares will be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year during which the shares are issued.

### 3. Volume and Prices traded for the last 6 months

#### A. Korea Stock Exchange (Common Stock)

(Won. Thousands Shares)

|                 |      | 2002    |          |         |         |         |         |
|-----------------|------|---------|----------|---------|---------|---------|---------|
|                 |      | January | February | March   | April   | May     | June    |
| Price           | High | 135.000 | 160.000  | 151.000 | 147.500 | 141.500 | 154.000 |
| In Won          | Low  | 117.500 | 123.000  | 135.500 | 121.500 | 122.500 | 133.500 |
| Volume (Shares) |      | 4.902   | 4.624    | 7.853   | 6.986   | 6.129   | 6.634   |

#### B. New York Stock Exchange (ADR)

(US. Thousands Shares)

|              |      | 2002    |          |       |       |       |       |
|--------------|------|---------|----------|-------|-------|-------|-------|
|              |      | January | February | March | April | May   | June  |
| Price        | High | 25.16   | 29.25    | 28.57 | 27.25 | 28.25 | 30.64 |
| in US        | Low  | 22.41   | 23.50    | 25.87 | 23.25 | 23.86 | 27.27 |
| Volume (ADR) |      | 6.209   | 8.120    | 6.387 | 6.322 | 6.421 | 9.637 |

# **C. London Stock Exchange (ADR)**

(US. Thousands Shares)

|                  |      | 2002    |          |       |       |       |       |
|------------------|------|---------|----------|-------|-------|-------|-------|
|                  |      | January | February | March | April | May   | June  |
| Price<br>in US\$ | High | 25.00   | 25.00    | 29.00 | 27.00 | 28.50 | 30.50 |
|                  | Low  | 21.65   | 29.00    | 25.75 | 25.75 | 25.90 | 28.00 |
| Volume (ADR)     |      | 145     | 210      | 249   | 228   | 213   | 271   |

## VII. Directors and Employees

### 1. Directors

#### A. Directors

| Title<br><Standing>  | Name<br>(Date of Birth)               | Principal Occupation   | Shares owned |       |
|--|---------------------------------------|--|--------------|-------|
|  |                                       |  | Type         | No.   |
| Chairman and Representative Director   | Sang-Boo Yoo<br>(Mar. 4, 1942)        | Chairman & CEO   | Common       | 2     |
| President and Representative Director  | Ku-Taek Lee<br>(Mar. 15, 1946)        | President  | Common       | 860   |
| Senior Executive Vice President  | Yong-Woon Kim<br>(Oct. 4, 1943)       | General Administration/Law Affairs Dept  | "            | 610   |
| "  | Chang-Oh Kang<br>(Dec. 5, 1942)       | Technical Research Laboratory  | "            | 1,501 |
| "  | Soo-Yang Han<br>(Feb. 9, 1945)        | General Superintendent, Kwangyang Works  | "            | 2,310 |
| "  | Won-Pyo Lee<br>(Dec. 11, 1943)        | General Superintendent, Pohang Works   | "            | -     |
| Executive Vice President   | Kyeong-Ryul Ryoo                      | Marketing, Process Innovation Dept.  | "            | 17    |
| <b>&lt;Non-standing Directors &amp; Auditors&gt;</b>   |                                       |  |              |       |
| Director   | Ung-Suh Park<br>(Jun. 13, 1938)       | Director Candidate Recommendation Committee<br>Audit Committee                 | "            | -     |
| "  | Jae-Young Chung<br>(Oct. 15, 1944)    | Audit Committee  | "            | -     |
| "  | Guil-Soo Shin<br>(Apr. 16, 1944)      | Finance and Operation Committee  | "            | -     |
| "  | Jong-Won Lim<br>(Sep. 17, 1946)       | Director Candidate Recommendation Committee<br>Finance and Operation Committee | "            | -     |
| "  | Samuel F. Chevalier<br>(Mar. 9, 1934) | Director Candidate Recommendation Committee                                    | "            | -     |
| "  | Soon Kim                              | Finance and Operation Committee  | "            | -     |
| "  | Woo-Hee Park                          | Audit Committee  | "            | -     |
| "  | Dae-Wook Yoon                         | Audit Committee  | "            | -     |
| Remuneration of 1 <sup>st</sup> H of 2002 : Won 1,679 million, Average remuneration per person : Won 112 million |                                       |  |              |       |

**<Executive Directors>**

| Title                    | Name             | Principal Occupation                                      | Shares owned |        |
|--------------------------|------------------|---|--------------|--------|
|                          |                  |   | Type         | Number |
| Executive Vice President | Kwang-Woong Choi | Corporate Strategic Planning & Supporting Dept            | "            | -      |
| "                        | Jung-Won Kim     | General Administration Dept.<br>Material Purchasing Dept. | "            | -      |
| "                        | Seong-Yong Shin  | POSAM   | "            | 2      |
| "                        | Kwang-Hee Han    | Tokyo Branch  | "            | -      |
| "                        | Dong-Jin Kim     | Beijing Office  | "            | -      |
| Senior Vice President    | Won-Chul Hwang   | Deputy General Superintendent, Pohang Works               | "            | 110    |
| "                        | Sung-Hwan Kim    | Facilities Investment Planning Dept.                      | "            | 2,054  |
| "                        | Tae-Hyun Hwang   | Finance Division  | "            | -      |
| "                        | Chin-Cheon Kim   | Deputy General Superintendent, Kwangyang Works            | "            | 165    |
| "                        | Youn Lee         | Deputy General Superintendent, Pohang Works               | "            | 2      |
| "                        | Seong-Sik Cho    | Investment Project  | "            | -      |
| "                        | Byung-Hoon Kim   | Deputy General Superintendent, Pohang Works               | "            | 17     |
| "                        | Jong-Tae Choi    | General Superintendent,<br>Education & Training Center    | "            | -      |
|                          | Hwang-Kyu Hwang  | Research & Development Dept                               | "            | 2      |
|                          | Song Kim         | Marketing Strategy Dept.                                  | "            | 2      |
|                          | Woo-In Lee       | Deputy General Superintendent, Kwangyang Works            | "            | -      |
|                          | Jong-Doo Choi    | Cold-Rolled Sales & Export Dept                           | "            | 2      |
| Vice President           | Joon-Yang Chung  | EU Office   | "            | 730    |
| "                        | Chang-Ho Kim     | Audit Dept.   | "            | 2      |
| "                        | Nam-Suk Hur      | Deputy General Superintendent, Kwangyang Works            | -            | 2      |
| "                        | Chang-Kwan Oh    | Hot-Rolled Sales  | -            | -      |
| "                        | Jeon-Young Lee   | New Investment Project                                    | -            | -      |

Byung-Chang Yoo, Executive Vice President resigned as of Jul. 1

Directors holding concurrent position in other company

- Chairman Sang-Boo Yoo : Outside Director of Hana Bank
- Senior Executive Vice President Yong-Woon Kim : Non-standing Auditor of POSTECH Venture Capital Co.
- Executive Vice President Won-Pyo Lee : Non-standing Director of Pohang Steelers

## 2. Employees

(Person, Thousand Won)

|        | Number of Employee |            |        |        | Average<br>Years | Total<br>Wages | Average<br>Monthly<br>Wages |
|--------|--------------------|------------|--------|--------|------------------|----------------|-----------------------------|
|        | White<br>Color     | Blue Color | Others | Total  |                  |                |                             |
| Male   | 1,494              | 17,337     | 56     | 18,887 | 16.9             | 413,825,843    | 21,911                      |
| Female | 220                | 35         | 13     | 268    | 10.3             | 4,320,501      | 16,121                      |
| Total  | 1,714              | 17,372     | 69     | 19,155 | 16.9             | 418,146,344    | 21,830                      |

## 3. Labor Union

A. Number of Labor Union Members : 19

B. Standing Members : 4 (Chairman, Deputy Chairman, Secretary-General, Chief of General Affairs)

C. Numbers of Employees who are able to be member of the Union as of Sep. 30, 2001 : 15,851

D. Employees who can not be member of the Union

- Employees who are in a position at or above Manager
- Employees under Intern period
- Temporary or nonstanding employees
- Employees restricted in entering the Union by labor law or other regulations.

## VIII. Transactions with Interested Parties

### 1. Transactions with Associated Companies

#### A. Transactions with the largest shareholder and etc.

##### (1) Loan to Affiliates

None

##### (2) Guaranty Provided for Affiliated Companies

(Million Won)

| Company                    | Creditors                   | Beginning | Increase | Decrease | Ending  |
|----------------------------|-----------------------------|-----------|----------|----------|---------|
| Changwon Steel             | NAB. etc.                   | 772       |          | 772      | 0       |
| Domestic Sub Total         |                             | 772       |          | 772      | 0       |
| POSVEN                     | CITIBANK. etc.              | 35,274    |          | 3,306    | 31,967  |
| Kobrasco                   | CITIBANK. etc.              | 53,044    |          | 20,990   | 32,053  |
| VPS                        | Credit Lyonnais             | 4,355     |          | 900      | 3,454   |
| POSAM                      | Bank of America             | 99,458    |          | 3,313    | 96,144  |
| POS-Hyundai                | India Industry Bank<br>etc. | 649       |          | 302      | 346     |
| POS-invest                 | Sumitomo Bank. etc.         | 94,731    | 72,249   | 34,725   | 132,255 |
| Zhangjiagang Pohang<br>STS | China Bank                  | 29,729    |          | 2,786    | 26,942  |
| Overseas sub-total         |                             | 317,240   | 72,249   | 66,326   | 323,163 |
| Grand Total                |                             | 318,012   | 72,249   | 66,326   | 323,163 |

※ As POSVEN could not refinance its debt. Guarantors paid their obligations.  
As of now, Raytheon and Posco are under legal proceedings about above amounts

##### (3) Investment in Affiliated Companies

(Million Won)

| Company                   | Beginning | Increase | Decrease | Ending  |
|---------------------------|-----------|----------|----------|---------|
| POSDATA                   | 35,000    |          |          | 35,000  |
| Pohang Coated Steel       | 96,151    |          |          | 96,151  |
| Chang Won Specialty Steel | 260,000   |          |          | 260,000 |
| POSCON                    | 49,822    |          |          | 49,822  |
| POSMEC                    | 17,052    |          |          | 17,052  |
| POS-M                     | 10,000    |          |          | 10,000  |
| POSEC                     | 424,248   |          |          | 424,248 |
| POS- AC                   | 1,043     |          |          | 1,043   |

|                                  |           |        |   |           |
|----------------------------------|-----------|--------|---|-----------|
| POSTEEL                          | 113.393   |        |   | 113.393   |
| Seung Kwang                      | 28.408    |        |   | 28.408    |
| POSCO Research Institute         | 19.000    |        |   | 19.000    |
| POSTECH Venture<br>Capital Co    | 28.500    |        |   | 28.500    |
| Korea Daily                      | 19.999    |        |   | 19.999    |
| ENtoB                            | 2.800     |        |   | 2.800     |
| POSREC                           | 16.902    | 23.957 |   | 40.859    |
| KOBRASCO                         | 32.950    |        |   | 32.950    |
| POSAM                            | 200.327   |        |   | 200.327   |
| POSA                             | 37.352    |        |   | 37.352    |
| POSCHROME                        | 4.859     |        |   | 4.859     |
| POSVINA                          | 1.527     |        |   | 1.527     |
| VPS                              | 4.758     |        |   | 4.758     |
| POS-Tianjin Coil Center          | 653       |        |   | 653       |
| Dalian POSCO-CFM<br>Coated Steel | 9.586     |        |   | 9.586     |
| POSINVEST                        | 22.910    |        |   | 22.910    |
| PT. KS- POSCO                    | 6.786     |        |   | 6.786     |
| Zhangjiagang Pohang STS          | 84.235    | 21.181 |   | 105.416   |
| POSVEN                           | 44.540    |        |   | 44.540    |
| POS-Thai                         | 1.625     |        |   | 1.625     |
| Shundae Pohang Coated<br>Steel   | 13.834    | 8.036  |   | 21.870    |
| Shunde Pohang Coated             | 927       |        |   | 927       |
| P.T. POSNESIA                    | 9.474     |        |   | 9.474     |
| Myanmar POSCO Steel              | 2.192     |        |   | 2.192     |
| PO-Hyundai Steel                 | 1.057     |        |   | 1.057     |
| POA                              | 7.425     |        |   | 7.425     |
| Total                            | 1,609,335 | 53,174 | 0 | 1,662,509 |

(4) Real Estate Transaction in Affiliated Companies

| (Thousand Won) |                   |                |            |
|----------------|-------------------|----------------|------------|
|                | Period            | Guaranty Money | Rental Fee |
| POSEC          | '01.1.1~'01.12.31 | 2,270,855      | 2,913,249  |
| POSCON         | "                 |                | 35,513     |
| POSREC         | "                 |                | 45,206     |
| POSMEC         | "                 |                | 26,663     |

|                         |    |                  |                  |
|-------------------------|----|------------------|------------------|
| POS-AC                  | .. | 332,410          | 406,307          |
| POSDATA                 | .. | 611,045          | 716,152          |
| POSTECH Venture Capital | .. | 41,570           | 49,884           |
| Pohang Coated Steel     | .. |                  | 3,989            |
| POS-M                   | .. |                  | 47,105           |
| POSRI                   | .. |                  | 33,080           |
| <b>Total</b>            |    | <b>3,188,610</b> | <b>7,058,750</b> |

(5) Long-term Contract

(Million Won)

| Company | Relationship       | The Content Transacted |      |                      |           |
|---------|--------------------|------------------------|------|----------------------|-----------|
|         |                    | Kind                   | Term | Product & Service    | Amount    |
| Posteel | Subsidiary company | Long-term Contract     | -    | Product & By-Product | 1,500,000 |
| Total   |                    |                        |      |                      | 1,500,000 |

**2. Transactions with Shareholders & etc.**

None

## IX. Supplementary Schedules

### 1. Cash and Deposits

(Million Won)

| Item                     | Financial Institute | Ending Balance | Interest |
|--------------------------|---------------------|----------------|----------|
| Checking Account Deposit | Hanvit Bank, etc    | 1,646          | -        |
| Ordinary Deposit         | "                   | 752            | -        |
| Cash Equivalents         | "                   | 281,374        | 267      |
| Financial Instruments    | "                   | 101,500        | 2,781    |
| Others                   | Koomin Bank, etc    | 50             | -        |
| Overseas Deposit         | Tokyo Branch        | 2,862          | -        |
| Total                    |                     | 388,184        | 3,048    |

### 2. Marketable Securities

(Million Won)

| Item                    | Acquisition Cost | Book Value |
|-------------------------|------------------|------------|
| MMF                     | 559,800          | 560,532    |
| Beneficiary Certificate | 130,000          | 130,902    |
| Total                   | 689,800          | 691,434    |

### 3. Principal Credit

(Million Won)

|                     | Company      | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------|--------------|-------------------|----------|----------|----------------|
| Accounts Receivable | POSTEEL      | 183,599           |          | 26,468   | 157,131        |
|                     | Dongbu Steel | 73,222            |          | 3,430    | 69,792         |
|                     | Union Steel  | 59,088            |          | 11,416   | 47,672         |
|                     | Hysco        | 35,146            |          | 3,637    | 31,509         |
|                     | Shilla Steel | 22,094            | 1,389    |          | 23,483         |
|                     | INI Steel    | 3,876             | 12,369   |          | 16,245         |
|                     | Others       | 756,163           | 12,713   | 72,800   | 696,076        |
| Total               |              | 1,133,188         | 26,471   | 117,751  | 1,041,908      |

#### 4. Short-term Borrowings

(Million Won, Thousand US\$)

| Accounts | Financial Institution | Annual interest rate (%) | Amount               |
|----------|-----------------------|--------------------------|----------------------|
| Usance   | CitiBank and others   | 2.2 ~ 2.3                | 45,631<br>(\$37,954) |

#### 5. Trades payable and Other Accounts payable

(Million Won)

| Company                     | Beginning | Increase | Decrease | Ending  |
|-----------------------------|-----------|----------|----------|---------|
| POSEC                       | 57,452    | 4,591    | .        | 62,043  |
| POSCO Machinery Engineering | 6,531     | 633      |          | 7,164   |
| POSCO Machinery             | 8,529     |          | 1,639    | 6,890   |
| POSCON                      | 12,520    |          | 2,992    | 9,608   |
| POSDATA                     | 17,704    | 3,432    |          | 21,136  |
| Others                      | 24,354    | 406      | 2,036    | 22,644  |
| Domestic sub total          | 127,090   | 9,062    | 6,667    | 129,485 |
| Hamersley                   | 5,185     |          | 5,185    | 0       |
| Others                      | 16,535    | 15,590   | 13,091   | 19,034  |
| Overseas sub total          | 21,720    | 15,590   | 18,276   | 19,034  |
| Total                       | 148,810   | 24,652   | 24,943   | 148,519 |

#### 6. Long-term Debt

(Million Won)

| Financial institution     |     | Beginning | Increase | Decrease | Ending  |
|---------------------------|-----|-----------|----------|----------|---------|
| CMB                       | USD | 8.6       |          | 2.1      | 6.4     |
| IBJ                       | JPY | 3,300     |          | 500      | 2,800   |
| Development Bank of Japan | JPY | 1,500     |          | 100      | 1,400   |
| Mitsui, etc.              | USD | 3         |          | 1.7      | 1.3     |
|                           | JPY | 700       |          | 400      | 300     |
|                           | EUR | 9         |          | 0.3      | 8.7     |
| Bank Loan, etc.           | USD | 355       |          | 3        | 353     |
| Commerz, etc.             | USD | 44        |          | 3        | 42      |
|                           | EUR | 28        |          | 2        | 26      |
| Jexim                     | JPY | 4,700     |          | 900      | 3,700   |
| Total                     | KRW | 693,400   |          | 84,700   | 608,700 |

#### 7. Debenture

(Million Won)

| Item                | Annual Interest Rate (%) | Amount    |
|---------------------|--------------------------|-----------|
| Domestic debentures | 6.0~9.0                  | 2,150,000 |
| Yankee Bonds        | 6.625~7.5                | 1,265,300 |
| Samurai Bonds       | 1.44~1.84                | 803,500   |
| Total               |                          | 4,219,200 |

## **X. Other Information**

### **1. Summary of Disclosures and Notifications**

#### **● Notice of POSCO's Leasing Contract with a Subsidiary Company (Jan 24, 2002)**

Please be advised that the BOD of POSCO adopted a resolution for POSCO's leasing contract with a subsidiary, POSEC, as follows.

1. Companies concerned
  - Lesser: POSCO
  - Lessee: POSEC etc.
2. Details of the Contract
  - Object of lease: Land & Building
  - Location: Jikok Dong, Pohang, Korea etc.
  - Period of Lease: Jan. 1st 2002 ~ Dec. 31st 2002
  - Monthly Rent: 299,624,000 KRW
3. Object of transaction : Office space

#### **● New Investment on Zhangjiagang POSCO Stainless Steel Co. (Jan.22, 2002)**

Please be advised that the BOD of Pohang Iron & Steel Co., Ltd. adopted a resolution to expand the investment on Zhangjiagang POSCO.

1. Company Name: Zhangjiagang POSCO Stainless Steel Co., Ltd.
2. Relationship with POSCO: Subsidiary
3. Purpose of the investment:
  - Increase the capacity for stainless steel and cold rolled sheet
  - New Investment: KRW 30,921,660,000
  - Previous Investment: KRW 113,964,637,297
  - Total investment: KRW 144,886,297,297

#### **● Resolution of the Board of Directors Regarding the Annual General Shareholders' Meeting (Jan. 24, 2002)**

Please be advised that the BOD of Pohang Iron & Steel Co., Ltd. adopted a resolution for a call the 34th General Meeting of Shareholders.

1. Resolution Date: January 23, 2002
2. Proposed General Meeting Date: 9:00 (AM), March 15, 2002
3. Proposed General Meeting Place: POSCO Center, Art Hall  
892 Daechi4-Dong, Gangnam-Gu, Seoul, Korea (135-777)

4. Other Approved proposals

- (1) 34th Financial Statement
- (2) Amendments to the Articles of Incorporation
- (3) Director's Remuneration
- (4) Payment of Incentives to the Standing Directors

● **Addition of Business Purpose (Jan. 24, 2002)**

Please be advised that the BOD of Pohang Iron & Steel Co., Ltd. adopted a resolution for addition of business purpose to the Articles of Incorporation.

1. Added Business Purpose: To engage in marine transportation, processing and sales of minerals within or outside Korea.
2. Background: In preparation for the future expansion of composite business.  
the Company expands the current target business to the transportation and process of all the minerals using current CTS (Central Terminal System) base which is greatly located in Kwangyang, harbor loading and unloading system, and accumulated managerial techniques.

● **Decrease the Sales by more than 1% (Jan. 24, 2002)**

POSCO reported that the company's sales decreased by KRW 605,881,146,427, which is the 5.2%, compared to the previous year.

1. Total Sales in year 2001: KRW 11,086,118,855,893
2. Total Sales in year 2000: KRW 11,692,000,002,320
3. Decreasing Amount: KRW 605,881,146,427
4. Reason: Low product price due to the recession of the whole economy and steel industry.

● **Decrease the Ordinary Income by more than 3% (Jan. 24, 2002)**

POSCO reported that the company's ordinary income decreased by KRW 216,512,966,577, which is the 16.3%, compared to the previous year.

1. Total Ordinary Income in year 2001: KRW 1,114,971,348,101
2. Total Ordinary Income in year 2000: KRW 1,331,484,314,678
3. Decreasing Amount: KRW 216,512,966,577
4. Reason: Sales and the operating income decreasing due to the low steel price

● **Decrease the Net Income by more than 1% (Jan. 24, 2002)**

POSCO reported that the company's net income decreased by KRW 817,671,790,389, which is the 49.9%, compared to the previous year.

1. Total Sales in year 2001: KRW 819,319,276,793

2. Total Sales in year 2000: KRW 1,636,991,067,182
3. Decreasing Amount: KRW 817,671,790,389
4. Reason: Decreased extra-ordinary income by KRW 953 billion and operating income

● **Accounting Treatment in Relation to POSVEN (Jan. 24, 2002)**

POSCO reclassified the extraordinary loss (bad debt expense) to the non-operating loss.

- ※ Explanation of Accounting Treatment is provided by "Andersen Anjin & Co" who is the POSCO's accounting audit company.

**1. Payment of Guaranteed Long-term Debt for POSVEN**

POSCO("the Company") and its subsidiaries, POSEC and POSTEEL paid the guaranteed long-term debt of ₩138 billion, ₩34.5 billion and ₩34.5 billion, respectively, on June 19, 2001. This payment represented the 40%, 10% and 10%, respectively, of the total long-term debt of POSVEN guaranteed by the Company, POSEC and POSTEEL. The payment has been recorded as a receivable from POSVEN and included in other assets, net of allowance for doubtful accounts of ₩69 billion, ₩17.25 billion and ₩17.25 billion, respectively, representing management's estimate of the account which will be ultimately collected from POSVEN.

**2. KAI's Interpretation**

According to the Korean Accounting Institute (KAI)'s interpretation dated on October 24, 2001, the gain on valuation by using the equity method of accounting should be recorded on the parent company's non-consolidated financial statements, and treated as the reversal of allowance for doubtful accounts receivable from its subsidiary, if the parent company recorded bad debt allowance for accounts receivable from its subsidiary company. The above accounting treatment is in conformity with the Korean GAAP, which provides that the unrealized loss arising from the inter-company transactions should be eliminated on the non-consolidated and consolidated financial statements.

**3. Accounting Treatments**

The accounting practice in June, 2001, recording of the allowance for doubtful accounts as extraordinary expense, was carried through the year on the basis of concept for conservatism. But at year end, the Company decided to reflect more corrective and consented accounting treatment approved by KAI.

Accordingly, the Company recorded the gain on valuation by using the equity method of accounting for the subsidiary, POSVEN, with the same amount of bad debt allowance of ₩103.5 billion for POSVEN as of December 31, 2001 under generally accepted accounting principles in Korea.

In connection with the reversal of bad debt allowance when using the equity method of accounting, the Company reclassified the extraordinary loss (bad debt expense) to the non-operating expense in order to match the recognition of gain on valuation by using the equity method of accounting which is accounted for non-operating income at year end book closing.

● **Appointment of the New External Auditor (Feb. 20, 2002)**

Please be advised that the Audit Committee of Pohang Iron & Steel Co., Ltd. appointed Samil Accounting Corporation (The Korean member of PricewaterhouseCoopers) as the new external auditor.

1. Name of external auditor: Samil Accounting Corporation (PricewaterhouseCoopers)
2. Resolution Date: February 19, 2002
3. Designation Period: April 1, 2002 ~ March 30, 2005
4. Reason for Alternation:  
New Appointment due to the prior designation expired
5. Applicability of Qualification Criteria for External Auditor: Qualified  
(Article 3 of the Act on External Audit of Stock Companies)

● **Results of POSCO's 34<sup>th</sup> Ordinary General Meeting of shareholders (Mar. 15, 2002)**

1. Approval of Financial Statements

- Auditors Opinion: Unqualified
- Summary of financial statements

|                         | (million Won) |
|-------------------------|---------------|
| Total Asset             | 17,615,530    |
| Total Liabilities       | 7,419,037     |
| Shareholder's Equity    | 10,196,493    |
| Paid-in Capital         | 482,403       |
| Sales                   | 11,086,119    |
| Net Income              | 819,319       |
| Earnings per Share(Won) | 10.043        |

2. Dividend

- Cash Dividend (including interim dividend)

: 204,048,397,500 KRW

| <u>Div./share</u> | <u>Div. Rate</u> | <u>Div Yield</u> | <u>Payout Ratio</u> |
|-------------------|------------------|------------------|---------------------|
| 2,500Won          | 50%              | 2.2%             | 24.9%               |

3. Election of Directors

1) Election of Directors

| <u>Title</u>      | <u>Name</u>         |
|-------------------|---------------------|
| Outside Director  | Samuel F. Chevalier |
| Standing Director | Chang-Oh Kang       |
| "                 | Soo-Yang Han        |
| "                 | Won-Pyo Lee         |

2) Outside Directors

Total number of Directors (A) : 15  
Number of Outside Directors (B) : 8  
Ratio of number of outside directors (B/A) : 53.3%

3) Audit Committee

- Outside Directors: 4
- Inside Director : -

● Resolution for the Candidates (Mar. 15, 2002)

Please be advised that the BOD of POSCO adopted a resolution for the candidates for the directors and for the Audit Committee members.

1. Name of Candidates for directors:

| NAME              | CURRENT POSITION      |
|-------------------|-----------------------|
| Lee, Ku-Taek      | President             |
| Ryoo, Kyeong-Ryul | Senior Vice President |
| Shin, Guil-Soo    | External Director     |
| Lim, Jong-Won     | External Director     |

2. Name of Candidates for Audit Committee Members

| NAME             | CURRENT POSITION  |
|------------------|-------------------|
| Park, Ung-Suh    | External Director |
| Chung, Jae-Young | External Director |

3. Resolution Date: February 22, 2002

● Grant a Stock Option Right (Apr. 27, 2002)

Please be advised that the BOD of POSCO adopted a resolution for granting a stock option right to the newly appointed management as follows.

1. Number of Shares: 60,000 (Grand Total: 504,000)
  - Each person received 10,000 share right.
2. Number of Granted People: 6 (Grand Total: 44)
3. Exercise Price: KRW 135,800
4. Effective Exercise Period
  - A. Start: April 28, 2004
  - B. End : April 27, 2009
5. Measure of Grant

- A. Pay the difference between the exercise price and market price at the requested date in cash or treasury shares

● **POSCO's Transaction with a Subsidiary Company (Apr. 27, 2002)**

Please be advised that the BOD of POSCO adopted a resolution for POSCO's transaction with a subsidiary, POSTEEL, as follows.

1. Name of Company: POSTEEL
2. Relation to POSCO: Subsidiary
3. Details about Transaction
  - A. Transaction Period: Jan. 1, 2002 ~ Dec. 31, 2002
  - B. Transaction Product: Steel Product and By-Product
  - C. Transaction Amount: KRW 1,500,000,000,000 (Estimated)

● **Summary of Approval of Agenda**

Please be advised that the agenda was approved at the 34<sup>th</sup> Annual General Shareholders Meeting of POSCO on March 15, 2002.

**Agendum 1 : Approval of Balance Sheet, Income Statement, and  
appropriation of Retained Earnings for the 34th Fiscal Year :  
(from January 1, 2001 to December 31, 2001)**

**Agendum 2 : Amendments of the Articles of Incorporation**

**Agendum 3 : Election of Directors**

| NAME              | CURRENT POSITION             |
|-------------------|------------------------------|
| Lee, Ku-Taek      | President, POSCO             |
| Ryoo, Kyeong-Ryul | Senior Vice President, POSCO |
| Shin, Guil-Soo    | External Director, POSCO     |
| Lim, Jong-Won     | External Director, POSCO     |

**Agendum 4 : Election of Audit Committee Members**

| NAME             | CURRENT POSITION         |
|------------------|--------------------------|
| Park, Ung-Suh    | External Director, POSCO |
| Chung, Jae-Young | External Director, POSCO |

**Agendum 5 : Directors' Remuneration**

- Limit: KRW 2 Billion
- Number of Director: 15 ( 7 Standing Director; 8 Outside Director)
- \* Remuneration Limit in 2001: KRW 1.2 Billion

#### **Agendum 6 : Payment of Performance Incentives to the Standing Directors**

"The performance incentives to be paid to the Representative Director for the 2002 fiscal year shall be less than 200% of the annual base salary of each Representative Director. The performance incentives to be paid to the Standing Directors other than the Representative Director for the 2002 fiscal year shall be less than 100% of the annual base salary of each Director. Such incentives shall be paid based on the results of management performance evaluation for 2002 fiscal year."

All agendum was approved as had been proposed.

#### **● Suspension of the Register of Shareholders (Jun. 7, 2002)**

Please be advised that the BOD of POSCO adopted a resolution for suspension of alteration of entry in the register of shareholders for interim dividend payment.

1. Record Date: June 30<sup>th</sup>, 2002
2. Period of Closing: July 1<sup>st</sup>, 2002 ~ July 14<sup>th</sup>, 2002
3. Purpose: Interim Dividend Payment

\* The dividend rate on par and the date of payment are to be determined at the Board of Directors in July 2002.

#### **● POSCO's Approval (Jun. 7, 2002)**

Please be advised that the BOD of POSCO approved the resolution by BOD of POSCO E&C, which is one of subsidiaries of POSCO.

To facilitate the successful listing of POSCO E&C on the stock market, capital reduction with/without consideration will be achieved, as follows, and POSCO will relinquish its rights to POSCO E&C's stocks at the time of new issue for its going public and capital increase with consideration for equity allotment to the employee stock ownership association.

1. POSCO E&C's capital reduction with/without consideration
  - (1) Method of capital reduction: even reduction
  - (2) Amount of capital reduction: 203.5 billion won
    - 60 billion won (with consideration)
    - 143.5 billion won (without consideration)
2. New issuance for going public and equity allotment to the employee stock ownership association
  - (1) Amount of capital increase with consideration: 60 billion won (30% of the total number of shares issued at the time of listing)
    - Equity allotment to the employee stock ownership association (10%): 20 billion won (4 million shares)

- Allotment to general shareholders (20%): 40 billion won (8 million shares)
- (2) Relinquishment of rights to stocks in the case of capital increase with consideration for equity allotment to the employee stock ownership association.
- 3. The executive in charge of investments will be commissioned to handle other practical matters related to capital reduction with/without consideration and relinquishment of rights in the case of going public.

### ● Operating Results in 1H 2002 (Jul. 8. 2002)

Please be advised that POSCO release the operating results in 1<sup>st</sup> half of the year 2002.

(Management Performance)

(Unit: '000 ton, Bn KRW)

|                          | 1H 2001 | 1H 2002 |
|--------------------------|---------|---------|
| Production (Crude Steel) | 13,977  | 13,696  |
| Total Sales Amount       | 13,595  | 13,307  |
| Revenue                  | 5,580   | 5,454   |
| Operating Income         | 735     | 606     |
| Net Income               | 355     | 359     |
| Total Assets             | 17,214  | 17,433  |
| Total Liabilities        | 7,799   | 6,231   |

(All the information is subject to change after the auditing.)

We reflect the impairment loss on Kwang-Yang #2 mini-mill by KRW 133 billion and the equity in losses of affiliates by KRW 107 billion which includes POSVEN's foreign exchange translation losses by KRW 89 billion.

### ● Resolution on Cancellation of Stock Option Right (Jul. 22. 2002)

Please be advised that the BOD of POSCO adopted a resolution for cancellation of Stock Option right.

1. Date of Cancellation: July 22. 2002
2. Number of the cancelled stock option right: 10,000 shares
3. Name and Position: Yoo, Byung Chang / Former Executive Vice President
4. Ground for cancellation: Voluntary Resignation
5. Relevant Law: Article 13-8.1 of the Articles of Incorporation

### ● Resolution on Interim Dividend Payout (Jul. 22. 2002)

Please be advised that the BOD of POSCO adopted a resolution for the interim dividend payment.

1. Dividend Rate on par value: 10%
2. Record Date: June 30, 2002
3. Total Dividend Amount: KRW 40.8 billion
4. Date of Payment: Aug 14, 2002

### ● Resolution on Disposal of Treasury Stock (Jul. 22, 2002)

Please be advised that the BOD of POSCO adopted a resolution for disposal of Treasury Stock.

1. Purpose of Disposal: Dispose the treasury stock according to the result of the 1<sup>st</sup> stock subscription by the introduction of ESOP

Method:

O Purchase of Treasury Shares by the ESOA

- Number of Shares: 316,950 shares
- Disposal Price: KRW 134,268

O Complementary Contributions to the ESOA

- Number of Shares: 316,950 shares
- Contribution Price: Closing Price of the contribution (July 23, 2002)

2. Total Number of Shares to be disposed: 633,900 shares
3. Total amount of subscription: KRW 88,746 million (Estimate)

## 3. Contingent Liabilities

### A. Principal Law Suits in Process

N.A.

### B. Note (Bill) Put in Pledge

As of December 31, 2001, the Company has provided 1 blank promissory notes to Bank of China for outstanding loans.

### C. Other Contingent Liabilities

Guaranty Provided to Financial Institutions for Affiliated Companies

(Million Won)

| Company              | Creditors       | Beginning | Increase | Decrease | Ending |
|----------------------|-----------------|-----------|----------|----------|--------|
| Changwon Steel       | NAB, etc.       | 772       |          | 772      | 0      |
| Dae-kyung Steel      | KDB             | 8,916     |          | 608      | 8,308  |
| Korea Steel Chemical | LG Caltex       | 2,561     |          |          | 2,561  |
| Domestic Sub Total   |                 | 12,250    |          | 1,380    | 10,870 |
| POSVEN               | CITIBANK, etc.  | 35,274    |          | 3,306    | 31,967 |
| Kobrasco             | CITIBANK, etc.  | 53,044    |          | 20,990   | 32,053 |
| VPS                  | Credit Lyonnais | 4,355     |          | 900      | 3,454  |

|                         |                     |         |        |        |         |
|-------------------------|---------------------|---------|--------|--------|---------|
| POSAM                   | Bank of America     | 99,458  |        | 3,313  | 96,144  |
| POS-Hyundai             | India Industry Bank | 649     |        | 302    | 346     |
| POS-Invest              | Sumitomo Bank, etc. | 94,731  | 72,249 | 34,725 | 132,255 |
| Zhangjiagang Pohang STS | China Bank          | 29,729  |        | 2,786  | 26,942  |
| SUS                     | J-EXIM, etc.        | 15,922  |        | 1,491  | 14,430  |
| Overseas sub-total      |                     | 333,162 | 72,249 | 67,817 | 337,594 |
| Total                   |                     | 345,413 | 72,249 | 69,198 | 348,464 |

※ POSVEN : As the status that guarantee obligations for the outstanding loan of POSVEN were honored by each guarantor due to the refinancing failure, the above amount is pending in the court between Raytheon and POSCO.

### 3. Sanctions against the Company

N. A.

### 4. Subsequent Events to the Balance Sheet Date

\* Domestic Bond Issuance

The company issued 3-year Non-guaranteed bond (face amount ; 200 billion won, Coupon; 6.0%) on July 10, 2002.

**POSCO**

# **Review Report 2002**

For the six-month period ended June 30, 2002

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## **Independent Accountants' Review Report**

To the Shareholders and Board of Directors of  
POSCO

We have reviewed the accompanying balance sheet of POSCO (the "Company") as of June 30, 2002, and the related statement of earnings for the six-month period then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with semi-annual review standards as established by the Securities and Futures Commissions of the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards for preparing semi-annual financial statements in the Republic of Korea.

The financial statements of the Company for the six-month period ended June 30, 2001, presented herein for comparative purposes, were reviewed by Anjin Accounting Corporation. In their review report date July 19, 2001, they stated that nothing came to their attention that cause them to believe that the related financial statements were not presented fairly, in all material respects, in accordance with financial accounting standards for preparing semi-annual financial statements in the Republic of Korea.

*Continued :*

As discussed in Note 1 to the financial statements, the Company changed its name from POHANG IRON & STEEL Co., Ltd to POSCO in accordance with the approval of the shareholders on March 15, 2002.

As discussed in Note 28 to the financial statements, during the six-month period ended June 30, 2002 and 2001, the Company entered into sales and purchases transactions with related parties amounting to ₩ 914,391 million and ₩ 995,347 million, respectively, in 2002 and ₩ 1,057,416 million and ₩ 186,569 million, respectively, in 2001. Related receivables and payables are ₩ 394,426 million and ₩ 137,638 million, respectively, as of June 30, 2002 and ₩ 349,891 million and ₩ 177,196 million, respectively, as of June 30, 2001. In addition, the Company has provided repayment guarantee of loans of related parties amounting to ₩ 323,164 million in 2002 and ₩ 374,370 million in 2001.

As discussed in Note 16 to the financial statements, the operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general unstable economic condition in the Republic of Korea and in the Asia pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet data cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

As discussed in Note 18 to the financial statements, during the six-month period ended June 30, 2002, in accordance with the Company's newly established corporate accounting standards, the Company reversed previously recorded allowance to the beginning balance of retained earnings. As a result, the beginning balance of retained earnings increased by ₩ 717,510 million and net income for the current period increased by ₩ 15,221 million.

The amounts expressed in U.S dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying financial statements.

*Continued :*

The accompanying statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying financial statements are intended for use by those who are informed about Korean accounting principles or reviewing standards and their application in practice.

Seoul, Korea

July 13, 2002

POSCO

BALANCE SHEETS

As of June 30, 2002 and 2001

(See independent accountants' review report)

|  | In Millions of Korea Won |              | In Thousands of U. S. Dollars (Note 3) |               |
|--|--------------------------|--------------|--|---------------|
|  | Unaudited                |              |  |               |
|  | 2002                     | 2001         | 2002                                   | 2001          |
| <b>ASSETS</b>  |                          |              |  |               |
| <b>Current assets :</b>  |                          |              |  |               |
| Cash and cash equivalents (Notes 4 and 27)   | ₩ 283.921                | ₩ 300.431    | \$ 236.247                             | \$ 249.984    |
| Short-term financial instruments (Notes 4 and 27)  | 104.212                  | 281.924      | 86.713                                 | 234.585       |
| Marketable securities (Note 5)   | 691.434                  | 815.263      | 575.332                                | 678.368       |
| Trade accounts and notes receivables, net of allowance for doubtful accounts of ₩10.378 million and ₩10.092 million in 2002 and 2001, respectively, and present value discount of ₩146 million in 2002.(Notes 6, 27 and 28)                        | 1,031.530                | 1,002.216    | 858.321                                | 833.929       |
| Inventories (Note 7)   | 1,325.667                | 1,406.649    | 1,103.068                              | 1,170.451     |
| Other accounts and notes receivables, net of allowance for doubtful accounts of ₩225 million and ₩712 million in 2002 and 2001, respectively   | 39.221                   | 98.223       | 32.635                                 | 81.730        |
| Other current assets (Note 12)   | 114.946                  | 200.299      | 95.644                                 | 166.667       |
| Total current assets   | 3,590.931                | 4,105.005    | 2,987.960                              | 3,415.714     |
| Investment securities (Note 8)   | 4,233.143                | 3,494.738    | 3,522.335                              | 2,907.920     |
| Long-term financial instruments (Note 4)   | 50                       | 51           | 42                                     | 42            |
| Long-term loans, net of allowance for doubtful accounts of ₩11 million in 2002 and 2001, respectively  | 1.089                    | 1.108        | 906                                    | 922           |
| Long-term trade receivables, net of allowance for doubtful accounts of ₩4.245 million and ₩11.967 million in 2002 and 2001, respectively, and present value discount of ₩19.088million and ₩21.765 million in 2002 and 2001, respectively (Note 6) | 43.566                   | 47.902       | 36.251                                 | 39.858        |
| Property, plant and equipment, net of accumulated depreciation of ₩14.803.550 million and ₩14.027.401 million in 2002 and 2001, respectively (Notes 10 and 30)   | 9,119.391                | 8,906.053    | 7,588.110                              | 7,410.595     |
| Intangibles, net (Notes 11, 29 and 30)   | 315.240                  | 355.965      | 262.306                                | 296.193       |
| Other long-term assets (Note 12)   | 129.994                  | 303.407      | 108.167                                | 252.461       |
| Total Assets   | ₩ 17,433.404             | ₩ 17,214.229 | \$ 14,506.077                          | \$ 14,323.705 |

The accompanying notes are an integral part of these semi-annual statements.

POSCO

BALANCE SHEETS

As of June 30, 2002 and 2001, Continued  
(See independent accountants' review report)

|  | In Millions of Korea Won |             | In Thousands of U. S.<br>Dollars (Note3) |              |
|--|--------------------------|-------------|--|--------------|
|  |                          |             | Unaudited                                |              |
|  | 2002                     | 2001        | 2002                                     | 2001         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                          |             |  |              |
| <b>Current liabilities :</b>   |                          |             |  |              |
| Trade accounts and notes payable (Notes 27 and 28)   | ₩ 394.872                | ₩ 599.044   | \$ 328.567                               | \$ 498.455   |
| Short-term borrowings (Note 13)  | 45.632                   | 159.744     | 37.969                                   | 132.921      |
| Current portion of long-term debt, net of discount on debentures issued (Note 13)  | 942.570                  | 1,092.638   | 784.299                                  | 909.168      |
| Accrued expenses   | 222.643                  | 286.764     | 185.258                                  | 238.612      |
| Other accounts and notes payable (Notes 27 and 28)   | 216.363                  | 152.975     | 180.032                                  | 127.288      |
| Withholdings   | 23.299                   | 55.809      | 19.387                                   | 46.438       |
| Income tax payable   | 145.989                  | 154.929     | 121.475                                  | 128.914      |
| Dividends payable  | 42.148                   | 40.801      | 35.071                                   | 33.950       |
| Other current liabilities (Note 15)  | 64.881                   | 10.763      | 53.986                                   | 8.956        |
| Total current liabilities  | 2,098.397                | 2,553.467   | 1,746.044                                | 2,124.702    |
| Long-term debt, net of current portions and discount on debentures issued (Note 14)  | 3,858.164                | 4,177.972   | 3,210.321                                | 3,476.429    |
| Accrued severance benefits, net of national pension fund of ₩131 million and ₩151 million in 2002 and 2001, respectively, and severance insurance deposits of ₩59.309 million and ₩26.169 million in 2002 and 2001, respectively | 80.894                   | 46.237      | 67.311                                   | 38.473       |
| Deferred income tax liabilities (Note 25)  | 153.705                  | -           | 127.896                                  | -            |
| Other long-term liabilities (Note 15)  | 39.868                   | 1,021.249   | 33.175                                   | 849.766      |
| Total Liabilities  | 6,231.028                | 7,798.925   | 5,184.747                                | 6,489.370    |
| Capital stock (Note 1)   | 482.403                  | 482.403     | 401.401                                  | 401.401      |
| Capital surplus (Note 17)  | 3,673.281                | 3,672.302   | 3,056.482                                | 3,055.668    |
| Retained earnings (Note 18)  | 8,022.242                | 6,975.454   | 6,675.188                                | 5,804.172    |
| Capital adjustments (Note 19)  | (975.550)                | (1,714.855) | (811.741)                                | (1,426.906)  |
| Total Stockholders' equity   | 11,202.376               | 9,415.304   | 9,321.330                                | 7,834.335    |
| Total liabilities and shareholders' equity   | ₩ 17,433.40              | ₩ 17,214.22 | \$ 14,506.07                             | \$ 14,323.70 |
|  | 4                        | 9           | 7  | 5            |

The accompanying notes are an integral part of these semi-annual statements.

POSCO

STATEMENTS OF EARNINGS

For the six-month period ended June 30, 2002 and 2001  
(See independent accountants' review report)

|  | In Millions of Korea Won |                 | In Thousands of U. S. Dollars (Note3) |                  |
|--|--------------------------|-----------------|---------------------------------------|------------------|
|  | Unaudited                |                 |                                       |                  |
|  | 2002                     | 2001            | 2002                                  | 2001             |
| Sales (Notes 28 and 30)  | ₩ 5,454.35<br>3          | ₩ 5,579.47<br>5 | \$ 4,538.48<br>6                      | \$ 4,642.59<br>8 |
| Cost of sales (Note 22)  | 4,479.666                | 4,540.110       | 3,727.464                             | 3,777.759        |
| Gross profit   | 974.687                  | 1,039.365       | 811.022                               | 864.839          |
| Selling, general and administrative expenses<br>(Note 23)      | 368.412                  | 304.514         | 306.550                               | 253.381          |
| Operating profit   | 606.275                  | 734.851         | 504.472                               | 611.458          |
| Non-operating income :   |                          |                 |                                       |                  |
| Interest income  | 22.767                   | 47.726          | 18.944                                | 39.712           |
| Gain on foreign currency transaction                           | 24.217                   | 66.827          | 20.151                                | 55.605           |
| Gain on foreign currency translation                           | 195.964                  | 49.004          | 163.059                               | 40.775           |
| Marketable securities valuation gains                          | 1.634                    | 3.440           | 1.360                                 | 2.862            |
| Gain on disposal of Marketable securities                      | 14.303                   | 21.276          | 11.901                                | 17.703           |
| Gain on disposal of PP&E                                       | 14.368                   | 2.938           | 11.955                                | 2.444            |
| Gain on valuation of investments using the<br>equity method    | -                        | 7.486           | -                                     | 6.229            |
| Others   | 43.938                   | 41.715          | 36.560                                | 34.711           |
|  | 317.191                  | 240.412         | 263.930                               | 200.041          |
| Non-operating expenses :                                       |                          |                 |                                       |                  |
| Interest expense   | 150.247                  | 193.986         | 125.018                               | 161.413          |
| Loss on foreign currency transaction                           | 40.173                   | 48.713          | 33.427                                | 40.533           |
| Loss on foreign currency translation                           | 34.268                   | 68.894          | 28.514                                | 57.325           |
| Donations (Note 24)  | 6.408                    | 20.119          | 5.332                                 | 16.741           |
| Loss on valuation of investments using the<br>equity method    | 35.516                   | -               | 29.552                                | -                |
| Loss on impairment (Note10)                                    | 132.720                  | 24.791          | 110.434                               | 20.628           |
| Others   | 81.399                   | 67.225          | 67.732                                | 55.938           |
|  | 480.731                  | 423.728         | 400.009                               | 352.578          |
| Ordinary profit  | 442.735                  | 551.535         | 368.393                               | 458.921          |
| Extraordinary gain   | -                        | 518             | -                                     | 431              |
| Extraordinary loss   | -                        | 69.444          | -                                     | 57.783           |
| Net income before income taxes                                 | 442.735                  | 482.609         | 368.393                               | 401.569          |
| Income tax expense (Note 25)                                   | 84.100                   | 128.012         | 69.979                                | 106.517          |
| Net income   | 358.635                  | 354.597         | 298.414                               | 295.052          |
| Earnings per share (Note 26)<br>(in Korea Won and U.S. Dollar) | ₩ 4.379                  | ₩ 4.348         | \$ 3.64                               | \$ 3.62          |

The accompanying notes are an integral part of these semi-annual statements.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

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**1. The Company :**

POSCO (the "Company") was incorporated on April 1, 1968, under the laws of the Republic of Korea, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. Annual production capacity is 28,000 thousand tons: 12,200 thousand tons at the Pohang mill and 15,800 thousand tons at the Kwangyang mill. The shares of the Company have been listed on the Korea Stock Exchange since 1988. The Company operates two plants and one office in Korea, and one branch and five liaison offices overseas.

Under its Articles of Incorporation, the Company is authorized to issue 200,000,000 shares of common stock (par value of ₩5,000). As of June 30, 2002, 93,589,485 shares of common stock were issued and outstanding. In addition, the Company acquired and retired 2,891,140 shares of treasury stock with the approval of the board of directors on August 25, 2001.

In accordance with the approval of shareholders on March 15, 2002, the Company changed its name from POHANG IRON & STEEL Co., Ltd. to POSCO.

As of December 31, 2001, the Industrial Bank of Korea, Pohang University of Science and Technology, Nippon Steel Corporation, foreign investors and employees own 3.12%, 3.24%, 3.09%, 62.01% and 0.05%, respectively, of the Company's common stock. The remaining shares are owned by the public.

**2. Summary of Significant Accounting Policies :**

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

2. Summary of Significant Accounting Policies, Continued :

Basis of Semi-annual Financial Statement Presentation -

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices.

The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Some information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, is not presented in the accompanying financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Revenue Recognition -

Revenue is recognized at the time products sold are shipped.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**2. Summary of Significant Accounting Policies, Continued :**

Marketable Securities -

Marketable equity securities held for short-term cash management purposes are stated at fair value and the valuation gain or loss is reflected in current operations.

Allowance for Doubtful Accounts -

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of individual accounts and prior year collection experience.

Inventories -

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average cost method except for materials-in-transit, for which cost is determined using the specific identification method.

If the book value of inventory exceeds its recoverable value due to obsolescence, damage or abrupt decline in market value, the decline is deducted from the book value and expensed in the year which it occurs.

Investments in equity in and other investments -

All investments in equity and debt securities are initially carried at cost, including incidental expenses. The subsequent accounting for investments by the type of security is as follows.

Investments in marketable equity securities of non-controlled investees, classified as other investments, are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustments account, a component of shareholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustments for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustments account.

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

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**2. Summary of Significant Accounting Policies, Continued :**

Investments in equity in and other investments, Continued : -

Investments in non-marketable equity securities of non-controlled investees, classified as other investments, are carried at cost except for declines in the Company's proportionate ownership of the underlying book value of the invested company which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investments.

Investments in equity securities of companies over which the Company exerts significant control or influence, classified as equity investments in subsidiaries and affiliated companies, are recorded using the equity method accounting. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the invested company are amortized over a year using the straight-line method. Under the equity method, the Company records changes in its proportionate ownership of the book value of the invested company as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the invested company.

Investments in debt securities are recorded at acquisition cost. Discounts and premiums of debt securities, purchased for the purpose of holding to maturity, are amortized over the redemption periods of the debt securities using the effective interest rate method and charged to current operations. Declines in fair value of the debt securities anticipated to be permanent are recorded in current operations and subsequent recoveries are also recorded in current operations up to the original cost of the investment.

The investment in the Stock Market Stabilization Fund ("SMSF") is stated at fair value with the valuation gain or loss credited or charged to current operations. The stocks distributed by SMSF are recorded as trading or securities held for investment at fair value and treated as a return of investment. Cash distributed by SMSF as dividends or as a return of investment equity are also treated as a return of investment.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**2. Summary of Significant Accounting Policies, Continued :**

Property, Plant and Equipment and Related Depreciation -

Property, plant and equipment are recorded at cost, except for certain assets subject to upward revaluations in accordance with the Asset Revaluation Law. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful life of the facilities involved are capitalized as additions to property, plant and equipment.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows :

| Classification           | Estimated useful lives<br>(years) |
|--------------------------|-----------------------------------|
| Buildings and structures | 20 ~ 40                           |
| Machinery and equipment  | 8                                 |
| Tools                    | 4                                 |
| Vehicles                 | 4                                 |
| Furniture and fixture    | 4                                 |

When the book value of an asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a sharp decline in market value, the impairment of assets is recognized in the balance sheet and the asset is recognized at reduced value and the resulting impairment loss charged to current operations.

For the six-month period ended June 30, 2002 and 2001, interest costs amounting to ₩0 and ₩8,817 million were capitalized as acquisition costs of fixed assets, respectively.

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

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**2. Summary of Significant Accounting Policies, Continued :**

Intangibles -

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the useful lives as described below.

| <u>Classification</u>         | <u>Estimated useful lives (years)</u> |
|-------------------------------|---------------------------------------|
| Intellectual property right   | 5 ~ 10                                |
| Port's facilities usage right | 2 ~ 37                                |
| Land usage right              | 40                                    |
| Other intangibles             | 4 ~ 20                                |

When the book value of an asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a sharp decline in market value, the impairment of assets is recognized in the balance sheet and the asset is recognized at reduced value and the resulting impairment loss charged to current operations.

Discounts and Premiums on Debentures -

The difference between the face amount and the proceeds upon issuance of a debenture is treated as either discount or premium, which is amortized over the life of the debenture using the effective interest method. The discount or premium is reported in the balance sheet as a direct deduction from or addition to the face amount of the debenture. Amortization of discount or premium is treated as interest expense.

Valuation of Assets and Liabilities at Present Value -

Assets acquired and liabilities incurred through long-term installment transactions and accounts and notes receivable under rescheduled debt payments approved by the judicial courts are stated at present value.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

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**2. Summary of Significant Accounting Policies, Continued :**

Income tax expense -

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Accrued Severance Benefits -

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with POSCO based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees terminated their employment as of the balance sheet date.

A portion of the accrued severance benefits of the Company is funded through a group severance insurance plan with Samsung Life Insurance company and others. The amounts funded under this insurance plan are classified as a deduction to accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act, a certain portion of the accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001

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**2. Summary of Significant Accounting Policies, Continued :**

Reserve for Repairs -

The allowance for repairs of various furnaces, based on their replacement cost, was adjusted for future inflation rate over the 15-year replacement cycle of the furnaces. However, during the six-month period ended June 30, 2002, in accordance with the Company's new corporate accounting standards, the Company reversed the previously recorded allowance to the beginning balance of retained earnings. (Note 18)

Foreign Currency Transactions and Translation -

The Company maintains their accounting records in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing exchange rates on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into Korean Won at W 1,201.8 to US\$1, the market average rate of exchange, as determined by the Bank of Korea based on currency transactions occurring on the day immediately prior to the balance sheet date, as of June 30, 2002.

Translation of Foreign Operations -

Foreign currency assets and liabilities of the Company's overseas business branches and offices are translated at the exchange rate as of the balance sheet date and income and expenses are translated at the weighted average exchange rate of the reporting period. Gains or losses on translation are offset and the net amount is recognized as an overseas operations translation debit or credit in the capital adjustments account. Overseas operation translation credit or debit is treated as an extraordinary gain or loss upon closing the foreign branch or office.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**2. Summary of Significant Accounting Policies, Continued :**

Derivative Instruments

The Company and its subsidiaries enter into derivative transactions to hedge against financial risks. Derivatives are classified into: cash flow hedge, hedge for fluctuation of fair market value caused by translation and only acquisition of gains. Other investments represent the fair market value of the net assets or liabilities related with derivatives transactions. In case of cash flow hedge, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet. In case of hedging for fair market value, unrealized holding gains and losses are recorded in the statement of earnings. And, if the contract is expired, the gains and losses on transaction are represented in the statement of earnings in case of hedge for fair market value and are offset with purchasing price of inventories in case of hedge for cash flow.

Earnings Per Share -

Earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding (excluding the number of shares held by the Company as treasury stock).

Reclassification -

Certain amounts of prior year's financial statements were reclassified to conform to the current year's presentation. However, these reclassifications have no effect on previously reported net income or shareholders' equity.

Impairment of Assets -

When the book value of an asset exceeds the recoverable value of the asset due to obsolescence, physical damage or sharp decline in market value, and the amount is material, the impairment of assets should be recognized in the balance sheet and the asset shall be recorded at reduced value and the resulting impairment loss charged to current operations.

Accordingly, the Company recognized fixed assets impairment losses of ₩ 132,720 million and ₩ 24,791 million for the six-month period ended June 30, 2002 and 2001, respectively. Also, the Company recognized other investments impairment losses of ₩ 760 million for the six-month period ended June 30, 2002.

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**3. United States Dollar Amount :**

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Won amounts are expressed in U.S. Dollars at the rate of ₩ 1,201.8 to U.S. \$ 1, the rate in effect on June 30, 2002. This presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States, and should not be construed as a representation that the Won amounts shown could be converted, realized or settled in U.S. Dollars at this or any other rate.

The 2001 U.S. Dollar amounts, which were previously expressed at ₩ 1,300.7 to US \$ 1, the rate prevailing on June 30, 2001, have been restated to reflect the exchange rate in effect on June 30, 2002.

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**4. Cash and Cash Equivalents and Financial Instruments :**

Cash and cash equivalents and short-term and long-term financial instruments at June 30, 2002 and 2001 consist of the following :

|  | Annual interest<br>Rates (%) | In Millions of Won |           |
|--|------------------------------|--------------------|-----------|
|  | 2002.6.30                    | 2002               | 2001      |
| <b><u>Cash and cash equivalents</u></b>        |                              |                    |           |
| Cash on hand and in banks                      | -                            | ₩ 901              | ₩ 4,673   |
| Checking accounts                              | -                            | 1,646              | 5,719     |
| Time deposits                                  | -                            | -                  | 100,000   |
| Time deposits in foreign currency              | 0.89 ~ 2.11                  | 261,374            | 110,039   |
| Money Market Deposit Account                   | 4                            | 20,000             | -         |
| Repurchase agreement                           | -                            | -                  | 80,000    |
|  |                              | 283,921            | 300,431   |
| <b><u>Short-term financial instruments</u></b> |                              |                    |           |
| Installment accounts                           | -                            | -                  | 704       |
| Time deposits                                  | 5.2                          | 1,500              | 8,073     |
| Trust deposits                                 | 4.1                          | 100,000            | -         |
| Time deposits in foreign currency              | 1.2                          | 2,712              | 273,147   |
|  |                              | 104,212            | 281,924   |
| <b><u>Long-term financial instrument</u></b>   |                              |                    |           |
| Checking account deposits                      | -                            | 50                 | 51        |
|  |                              | 50                 | 51        |
|  |                              | ₩ 388,183          | ₩ 582,406 |

The Company is required to provide collateral deposits amounting to ₩50 million to maintain checking accounts and, accordingly, withdrawal of these deposits is restricted.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**5. Marketable Securities :**

Marketable securities as of June 30, 2002 and 2001 are as follows :

|                          | In Millions of Won |           |
|--------------------------|--------------------|-----------|
|                          | 2002               | 2001      |
| Beneficiary certificates | ₩ 130,902          | ₩ 106,501 |
| Monetary market fund     | 560,532            | 658,557   |
| Stocks                   | -                  | 2         |
| Mutual fund              | -                  | 50,203    |
|                          | ₩ 691,434          | ₩ 815,263 |

**6. Present Value Discount of Receivables :**

The Company's trade accounts and notes receivables comprise reorganization claims from liquidation and composition procedures. The differences between the face value of the receivable and present value of the claims are material and the assessment are as follows :

|                          | In Millions of Won |          |                                 |
|--------------------------|--------------------|----------|---------------------------------|
|                          | Face value         | Discount | Weighted average borrowing rate |
| Restructured receivables | ₩ 58,409           | ₩ 19,088 | 7.8 ~ 8.62                      |

The Company recorded discounts on trade accounts and notes receivables using the Company's weighted average borrowing rate as of the nearest date of its period end.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**7. Inventories :**

Inventories as of June 30, 2002 and 2001 are as follows :

|                      | In Millions of Won |           |      |           |
|----------------------|--------------------|-----------|------|-----------|
|                      | 2002               |           | 2001 |           |
| Finished goods       | ₩                  | 164,441   | ₩    | 226,083   |
| Semi-finished goods  |                    | 354,762   |      | 328,052   |
| Raw materials        |                    | 532,322   |      | 589,716   |
| Materials in transit |                    | 273,690   |      | 261,989   |
| Others               |                    | 452       |      | 809       |
|                      | ₩                  | 1,325,667 | ₩    | 1,406,649 |

**8. Investment Securities :**

Investment securities as of June 30, 2002 and 2001 consist of the following :

|                                       |     | Reference | In Millions of Won |             |
|---------------------------------------|-----|-----------|--------------------|-------------|
|                                       |     |           | 2002               | 2001        |
| Marketable equity securities          | (A) | ₩         | 1,940,752          | ₩ 1,282,154 |
| Non-publicly traded equity securities | (B) |           | 397,031            | 376,395     |
| Securities in equity method           | (C) |           | 1,754,254          | 1,686,215   |
| Bonds                                 | (D) |           | 133,561            | 143,734     |
| Others                                | (E) |           | 7,545              | 6,240       |
|                                       |     |           | ₩ 4,233,143        | ₩ 3,494,738 |

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**8. Investment Securities, Continued :**

(A) Investments in marketable equity securities as of June 30, 2002 and 2001 are as follows :

|  | In Millions of Won                   |                     |                      |             |            |
|--|--------------------------------------|---------------------|----------------------|-------------|------------|
|  | 2002                                 |                     |                      | 2001        |            |
|  | Percentage<br>of<br>Ownership<br>(%) | Acquisition<br>cost | Fair market<br>Value | Book value  | Book value |
| Hanil Steel                            | 9.95                                 | ₩ 4,020             | ₩ 3,507              | ₩ 3,507     | ₩ 2,323    |
| Munbae Steel                           | 9.02                                 | 3,588               | 1,350                | 1,350       | 1,084      |
| Nippon Steel Corporation               | 2.17                                 | 285,102             | 277,775              | 277,775     | 123,947    |
| Chohung Bank                           | 0.03                                 | 3,757               | 758                  | 758         | 381        |
| Hana Bank                              | 3.39                                 | 29,998              | 79,422               | 79,422      | 42,180     |
| SK Telecom                             | 6.50                                 | 1,657,348           | 1,561,732            | 1,561,732   | 1,109,728  |
| Dong Yang steel                        | 2.48                                 | 3,911               | 1,181                | 1,181       | -          |
| Samjung Packing &<br>Aluminum Co.,Ltd. | 9.00                                 | 2,714               | 2,023                | 2,023       | 2,138      |
| Korea Investment<br>Corporation        | 1.30                                 | 588                 | 190                  | 190         | 373        |
| Treasury Stock Fund                    | -                                    | 11,981              | 12,814               | 12,814      | -          |
|  |                                      | ₩ 2,003,007         | ₩ 1,940,752          | ₩ 1,940,752 | 1,282,154  |

Marketable equity securities are stated at fair value and the difference between acquisition cost and fair value is reflected as capital adjustments.

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**8. Investment Securities, Continued:**

(B) Investments in non-publicly traded equity securities as of June 30, 2002 and 2001 are as follows :

| In Millions of Won          |                  |                            |                  |                  |                  |
|-----------------------------|------------------|----------------------------|------------------|------------------|------------------|
| 2002                        |                  |                            | 2001             |                  |                  |
| Percentage of Ownership (%) | Acquisition Cost | Net book value of investee | Book value       | Book value       | Book value       |
| Powercomm                   | 3.00             | ₩ 153,000                  | ₩ 23,877         | ₩ 153,000        | ₩ 153,000        |
| SK-IMT                      | 12.00            | 192,002                    | 195,242          | 192,002          | 192,002          |
| Dae Kyoung                  | 19.00            | 8,930                      | 3,243            | 8,930            | 8,930            |
| Gee Hyup Tech Finance       | 10.34            | 3,000                      | 3,296            | 3,000            | 3,000            |
| Siam United Steel           | 10.00            | 26,640                     | 4,853            | 26,640           | 5,882            |
| PT-POSNESIA(*)              | 70.00            | 9,474                      | 11,502           | 9,474            | 9,474            |
| PT.KS-POSCO(*)              | 40.00            | 6,786                      | -                | -                | 122              |
| Posvina(**)                 | 50.00            | 1,527                      | 2,541            | 1,527            | 1,527            |
| Others                      | -                | 2,458                      | 32,126           | 2,458            | 2,458            |
|                             |                  | <u>₩ 403,817</u>           | <u>₩ 276,680</u> | <u>₩ 397,031</u> | <u>₩ 376,395</u> |

(\*) As of June 30, 2002, the Companies were in liquidation or had been dormant for over 1 year. So, the companies are excluded from securities in equity method.

(\*\*) Total asset amount of the Company in previous year was less than ₩7 billion. So, the Company is excluded from securities in equity method.

(\*\*\*) Net book values of investee as of December 31, 2001 are used.

*Continued :*

POSCO

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

8. Investment Securities, Continued:

(C) Securities in equity method as of June 30, 2002 and 2001 are as follows :

|  | In Millions of Won             |                     |                    |             |             |
|--|--------------------------------|---------------------|--------------------|-------------|-------------|
|  | 2002                           |                     |                    | 2001        |             |
|  | Percentage of<br>Ownership (%) | Acquisition<br>Cost | Net<br>Asset Value | Book Value  | Book Value  |
| POSCO E&C                                | 97.43                          | ₩ 424.248           | ₩ 689.308          | ₩ 310.360   | ₩ 328.106   |
| POSTEEL                                  | 95.31                          | 113.393             | 278.056            | 277.731     | 269.852     |
| Changwon Steel                           | 72.22                          | 260.000             | 311.786            | 311.446     | 279.138     |
| POSAM                                    | 99.29                          | 200.327             | 113.197            | 115.577     | 87.634      |
| POSA                                     | 100.00                         | 37.352              | 48.925             | 47.447      | 39.110      |
| POSVEN(**)                               | 40.00                          | 44.540              | -                  | -           | 29.284      |
| POSCO Refractories &<br>Environment(***) | 60.00                          | 40.859              | 44.990             | 45.356      | 1.814       |
| Others                                   |                                | 524.003             | 709.169            | 646.337     | 651.277     |
|  |                                | ₩ 1,644.722         | ₩ 2,195.431        | ₩ 1,754.254 | ₩ 1,686.215 |

(\*) Book value is determined based on unaudited financial statements.

(\*\*) As of June 30, 2002, POSVEN's net assets was below capital stock. So, the Company is excluded from securities in equity method.

(\*\*\*) The Company additionally acquired additional equities in POSCO Refractories & Environments by 58.2% (acquisition cost : ₩30.945 million). So, POSCO Refractories & Environments is newly included in securities in equity method.

(D) Investments in bonds as of June 30, 2002 and 2001 are as follows :

|  | In Millions of Won, and in Millions of US Dollar |            |            |
|--|--|------------|------------|
|  | 2002   |            | 2001       |
|  | Face value                                       | Book value | Book value |
| Government and municipal bonds                 | ₩ 10.073   | ₩ 10.073   | ₩ 1        |
| Financial bonds of Industrial Bank of<br>Korea | 87.733   | 87.733     | 123.273    |
| Bonds in foreign currency                      | \$ 28  | 35.323     | 20.460     |
| Bonds with warrants                            | ₩ 432  | 432        | -          |
|  | ₩ 98.238   | ₩ 133.561  | ₩ 143.734  |
|  | \$ 28  |            |            |

Continued :

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**8. Investment Securities, Continued:**

All the investments in bonds are in held-to-maturity bonds. Financial bonds of Industrial Bank of Korea of ₩31,400 million have been provided to the Pusan local government as deposits for a performance guarantee in relation to the development of a waste disposal area.

(E) Other investments as of June 30, 2002 and 2001 are as follows :

|                                 | In Millions of Won |                  |            |            |
|---------------------------------|--------------------|------------------|------------|------------|
|                                 | 2002               |                  |            | 2001       |
|                                 | Ownership(%)       | Acquisition cost | Book value | Book value |
| Stock Market Stabilization Fund | 1.15               | ₩ 8,695          | ₩ 7,545    | ₩ 6,240    |

Due to recovery of impairment on its investments the Company recorded gain on investments amounting to ₩1,418 million for the six-month period ended June 30, 2002.

(F) Valuation gains and losses on investments recorded as capital adjustments for the years ended June 30, 2002 and 2001 are as follows :

|                                       | In Millions of Won |             |  | Remarks           |
|---------------------------------------|--------------------|-------------|--|-------------------|
|                                       | 2002               | 2001        |  |                   |
| Gain on investments valuation         | ₩ 264,748          | ₩ 305,225   |  | Equity method     |
| Loss on investments valuation         | (24,857)           | (19,884)    |  | Equity method     |
|                                       | 239,891            | 285,341     |  |                   |
| Gain (loss) on investments valuation  | (63,088)           | (554,557)   |  | Fair value method |
| Gain on treasury stock fund valuation | 833                | -           |  | Others            |
|                                       | ₩ 177,636          | ₩ (269,216) |  |                   |

**9. Loans to Employees :**

The Company has provided short-term housing loans to employees of ₩101,592 million as of June 30, 2001. As of June 30, 2002, short-term and long-term housing loans have been colluded.

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**10. Property, Plant and Equipment :**

Property, plant and equipment as of June 30, 2002 and 2001 are as follows :

|  | In Millions of Won  |                     |
|--|---------------------|---------------------|
|  | 2002                | 2001                |
| Buildings and structures               | ₩ 4,218,887         | ₩ 4,108,103         |
| Machinery and equipment                | 17,132,890          | 16,251,197          |
| Tools                                  | 82,038              | 76,528              |
| Vehicles                               | 124,627             | 119,407             |
| Furniture and fixtures                 | 116,089             | 132,381             |
|  | <u>21,674,531</u>   | <u>20,687,616</u>   |
| Less : Accumulated depreciation        | <u>(14,803,550)</u> | <u>(14,027,401)</u> |
|  | 6,870,981           | 6,660,215           |
| Land                                   | 869,648             | 880,349             |
| Construction in progress (see Note 12) | 1,378,762           | 1,365,489           |
|  | <u>₩ 9,119,391</u>  | <u>₩ 8,906,053</u>  |

At June 30, 2002 and 2001, the value of land owned by the Company based on the posted price issued by the Korean tax authority is ₩2,301,508 million and ₩2,391,961 million, respectively.

At June 30, 2002, depreciable assets are insured against fire and other casualty losses up to ₩2,987,842 million. In addition, the Company carries general insurance for vehicles, gas accident liability and disaster insurance for its employees.

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant, equipment six times before on December 31, 1989. The revaluation increment of ₩3,819 billion, net of revaluation tax and others of ₩647 billion was credited to revaluation surplus.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

10. Property, Plant and Equipment, Continued :

Construction in progress included in fixed assets includes capital investments in Kwangyang No.2 Minimill. By resolution of the Board of Directors at a meeting held in May, 1998, construction on the Minimill has been ceased due to the economic situation in the Republic of Korea and Asia pacific region. During the six-month period ended June 30, 2002, the Company recognized impairment losses of ₩132,720 million. The Company recognized impairment losses of ₩50,599 million and ₩49,581 million for the years ended December 31, 2001 and 2000, respectively. The carrying value of the Minimill is ₩311,042 million as of June 30, 2002.

11. Intangible Assets :

Intangible assets, net of accumulated amortization, as of June 30, 2002 and 2001 consist of the following :

|                               | In Millions of Won |           |
|-------------------------------|--------------------|-----------|
|                               | 2002               | 2001      |
| Intellectual property rights  | ₩ 249              | ₩ 332     |
| Port's facilities usage right | 142,043            | 156,042   |
| Development costs (note 29)   | 172,945            | 199,588   |
| Land usage right              | 3                  | 3         |
|                               | ₩ 315,240          | ₩ 355,965 |

POSCO

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

12. Other Assets :

Other assets as of June 30, 2002 and 2001 consist of the following :

|                        | In Millions of Won |                  |
|------------------------|--------------------|------------------|
|                        | 2002               | 2001             |
| Other current assets   |                    |                  |
| Short-term loans       | ₩ 2,323            | ₩ 105,583        |
| Accrued income         | 69,941             | 75,439           |
| Advance payment        | -                  | 396              |
| Prepaid expense        | 9,221              | 12,119           |
| Others                 | 33,461             | 6,762            |
|                        | <u>114,946</u>     | <u>200,299</u>   |
| Other long-term assets |                    |                  |
| Key-money              | 2,970              | 2,179            |
| Others                 | 127,024            | 301,228          |
|                        | <u>129,994</u>     | <u>303,407</u>   |
|                        | <u>₩ 244,940</u>   | <u>₩ 503,706</u> |

13. Short-Term Borrowings :

Short-term borrowings as of June 30, 2002 and 2001 are as follows :

|  | Annual<br>interest rate<br>(%)        | In Millions of Won |                    |
|--|---------------------------------------|--------------------|--------------------|
|  |                                       | 2002               | 2001               |
| Borrowings                                     |                                       |                    |                    |
| Usance   | 2.0                                   | ₩ 45,632           | ₩ 159,744          |
| Current portion of long<br>term borrowings     |                                       |                    |                    |
| Local currency loans                           | -                                     | -                  | 469                |
| Foreign currency<br>loans in won<br>equivalent | LIBOR+ 0.6,<br>4.6 ~ 4.9              | 18,410             | 31,555             |
| Loans from foreign<br>financial institution    | LIBOR+ 0.40<br>~ 0.80,<br>2.00 ~ 6.97 | 38,382             | 46,544             |
| Debentures                                     | 1.44 ~ 8.00                           | <u>886,885</u>     | <u>1,019,021</u>   |
| Less : Discount on debenture issued            |                                       | (1,107)            | (4,951)            |
|  |                                       | <u>942,570</u>     | <u>1,092,638</u>   |
|  |                                       | <u>₩ 988,202</u>   | <u>₩ 1,252,382</u> |

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**14. Long-Term Borrowings :**

Long-term debt at June 30, 2002 and 2001 consists of the following :

|   | Reference | In Millions of Won |                    |
|---|-----------|--------------------|--------------------|
|   |           | 2002               | 2001               |
| Local currency loans                          | (A)       | ₩ -                | ₩ 469              |
| Foreign currency loans,<br>in Won equivalents | (B)       | 50,397             | 84,236             |
| Loans from foreign financial<br>institutions  | (C)       | 558,359            | 642,572            |
| Debentures                                    | (D)       | 4,219,176          | 4,573,384          |
|   |           | <u>4,827,932</u>   | <u>5,300,661</u>   |
| Less : Current portion                        |           | (943,677)          | (1,097,589)        |
| Discount on debentures issued                 |           | (26,091)           | (25,100)           |
|   |           | <u>₩ 3,858,164</u> | <u>₩ 4,177,972</u> |

(A) Long-term local currency borrowings as of June 30, 2002 and 2001 are as follows :

|                        | Annual Interest<br>rate (%) | In Millions of Won |            |
|------------------------|-----------------------------|--------------------|------------|
|                        |                             | 2002               | 2001       |
| Korea Exchange Bank    | 2002.6.30                   | ₩ -                | ₩ 469      |
| Less : Current portion |                             | -                  | (469)      |
|                        |                             | <u>₩ -</u>         | <u>₩ -</u> |

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

14. Long-Term Borrowings, Continued :

(B) Long-term foreign currency borrowings as of June 30, 2002 and 2001 are as follows :

|                              | Annual<br>Interest rate<br>(%) | In Millions of Won |          |
|------------------------------|--------------------------------|--------------------|----------|
|                              | 2002.6.30                      | 2002               | 2001     |
| Sumitomo Bank                | -                              | ₩ -                | ₩ 12,209 |
| I.B.J.                       | 4.9                            | 28,207             | 41,065   |
| Chase Manhattan Bank         | LIBOR + 0.6                    | 7,726              | 13,936   |
| Development Bank of<br>Japan | 4.6                            | 14,464             | 17,026   |
|                              |                                | 50,397             | 84,236   |
| Less : Current portion       |                                | (18,410)           | (31,555) |
|                              |                                | ₩ 31,987           | ₩ 52,681 |

(C) Loans from foreign financial institutions as of June 30, 2002 and 2001 are as follows :

|                           | Annual<br>Interest rate (%) | In Millions of Won |           |
|---------------------------|-----------------------------|--------------------|-----------|
|                           | 2002.6.30                   | 2002               | 2001      |
| Commerzbank and<br>others | 2.0~6.97                    | ₩ 65,130           | ₩ 109,031 |
| Sumitomo Bank             | Libor+ 0.8                  | 72,598             | 78,296    |
| Citibank                  | Libor+ 0.6                  | 420,631            | 455,245   |
|                           |                             | 558,359            | 642,572   |
| Less : Current portion    |                             | (38,382)           | (46,544)  |
|                           |                             | ₩ 519,977          | ₩ 596,028 |

Certain loans from foreign financial institutions contracted prior to July 1987, amounting to ₩ 15,172 million as of June 30, 2002, are covered by guarantees issued by Korea Development Bank.

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

14. Long-Term Borrowings, Continued :

(D) Debentures outstanding at June 30, 2001 and 2000 are as follows :

|                                 | Annual<br>Interest rate<br>(%) | In Millions of Won |             |
|---------------------------------|--------------------------------|--------------------|-------------|
|                                 | 2002.6.30                      | 2002               | 2001        |
| Domestic debentures             | 4.48~9.00                      | ₩ 2,150,000        | ₩ 2,330,000 |
| Yankee Bonds                    | 6.63~7.50                      | 1,265,568          | 1,369,716   |
| Samurai Bonds                   | 1.14~1.84                      | 803,608            | 834,647     |
| Floating Rate Notes             | Libor+ 2.35                    | -                  | 39,021      |
|                                 |                                | 4,219,176          | 4,573,384   |
| Less : Current portion          |                                | (886,885)          | (1,019,021) |
| Discount on debenture<br>issued |                                | (26,091)           | (25,100)    |
|                                 |                                | ₩ 3,306,200        | ₩ 3,529,263 |

Maturities of the Company's long-term debt outstanding, excluding premiums and discounts on debentures, as of June 30, 2001 are as follows :

|               | In Millions of Won                |  |             |       |           |
|---------------|-----------------------------------|--|-------------|-------|-----------|
|               | Foreign<br>currency<br>Borrowings | Loans from<br>foreign<br>financial<br>institutions | Debentures  | Total |           |
| 2003.7~2004.6 | ₩ 15,835                          | ₩ 30,458   | ₩ 1,161,058 | ₩     | 1,207,351 |
| 2004.7~2005.6 | 7,473                             | 432,159  | 957,213     |       | 1,396,845 |
| 2005.7~2006.6 | 1,929                             | 11,529   | 701,353     |       | 714,811   |
| 2006.7~2007.6 | 1,929                             | 11,529   | 512,667     |       | 526,125   |
| Thereafter    | 4,821                             | 34,302   | -           |       | 39,123    |
| Total         | ₩ 31,987                          | ₩ 519,977  | ₩ 3,332,291 | ₩     | 3,884,255 |

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**15. Other liabilities :**

Other liabilities as of June 30, 2002 and 2001 consist of the following :

|                             | In Millions of Won |                    |
|-----------------------------|--------------------|--------------------|
|                             | 2002               | 2001               |
| Other current liabilities   |                    |                    |
| Advance received            | ₩ 24,996           | ₩ 6,467            |
| Unearned revenue            | 1,430              | 1,003              |
| Others                      | 38,455             | 3,293              |
|                             | <u>64,881</u>      | <u>10,763</u>      |
| Other long-term liabilities | 39,868             | 1,021,249          |
|                             | <u>₩ 104,749</u>   | <u>₩ 1,032,012</u> |

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**16. Commitments and Contingencies :**

As of June 30, 2002 contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of affiliates and related companies are as follows :

|  | <u>In Millions of Won</u> | <u>Financial institution</u> |
|--|---------------------------|------------------------------|
| <b>Related company</b>                       |                           |                              |
| POSVEN                                       | ₩ 31,968                  | Raytheon                     |
| KOBRASCO                                     | 32,054                    | CITIBANK, etc                |
| V P S  | 3,454                     | Credit Lyonnais              |
| POSAM  | 96,144                    | Bank of America              |
| POS-Hyundai                                  | 346                       | India Development Bank       |
| POS-Invest                                   | 132,255                   | Sumitomo Bank, etc           |
| Zhangjiagang Pohang Stainless Steel Co., Ltd | 26,943                    | Bank of China                |
|  | <u>323,164</u>            |                              |
| <b>Others</b>                                |                           |                              |
| Dae kyeong special steel co., ltd            | 8,308                     | Korea Development Bank       |
| DC chemical co., ltd                         | 2,562                     | LG-Caltex Gas                |
| S U S  | 14,430                    | J-EXIM                       |
|  | <u>25,300</u>             |                              |
|  | <u>₩ 348,464</u>          |                              |

The Company provided payment guarantees amounting to ₩ 374,370 million and ₩ 28,059 million as of June 30, 2001, for affiliated companies and others, respectively.

As of June 30, 2002, POSCO has provided a blank promissory note to the Bank of China for outstanding loans.

The Company entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. These contracts generally have terms of 5 to 10 years and provide for periodic price adjustments to then-market price. At June 30, 2002, 165 million tons of iron ore and 33 million tons of coal remained to be purchased under a long-term contract.

The Company has guaranteed usage of bulk carriers (with a total weight of 1,646 thousand dead weight ton) with Keo Yang Shipping Co., Ltd. in order to ensure transportation of raw materials through 2010.

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**16. Commitments and Contingencies, Continued :**

As of June 30, 2002, the Company leases certain Tools and equipment under operating lease agreements with Macquarie IT KOREA lease company. The Company charges the related rent expenses, amounting to ₩ 2,244 million for the six-month period ended June 30, 2002, to current operations as incurred. The schedule of future operating lease payments is as follows

|                  | In Millions of Won |
|------------------|--------------------|
| 2002 .7 ~ 2003.6 | ₩ 5,356            |
| 2003 .7 ~ 2004.6 | 3,743              |
| After 2004 .7    | 653                |
|                  | ₩ 9,752            |

The Company paid \$106,400,000 of guaranteed long-term debt on behalf of POSVEN on June 19, 2001, an affiliate owned 40% by the Company. This payment represented 40% of the total long-term debt of POSVEN guaranteed by the Company. The payment has been recorded as a receivable from POSVEN and ₩ 127,872 million included in other long-term assets. On July 20, 2001, an additional payment of \$ 53,200,000 was due, representing the 20% of the total long-term debt guaranteed by the Raytheon Company (Raytheon), a 20% shareholder of POSVEN and a joint venture partner with the Company in the construction of a facility in Venezuela. The Company and Raytheon disagree as to which Company is responsible for the payment of the \$ 53,200,000 amount. For the meantime, both companies agreed that each would pay half of the amount until the dispute is resolved. The Company, therefore, made a payment of \$ 26,600,000 which also has been recorded as a receivable from POSVEN and ₩ 31,968 million included in other long-term assets, without any allowance for doubtful accounts as of June 30, 2002. Should the dispute be resolved in Raytheon's favor, the Company may be required to reimburse Raytheon for its \$26,600,000 debt payment made on behalf of POSVEN.

In addition, the Company recorded allowances for bad debts amounting to ₩17,688 million regarding the above POSVEN-related receivables. So, allowances for bad debts amounted to ₩86,721 million as of June 30, 2002.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**16. Commitments and Contingencies, Continued :**

At June 30, 2002, the Company is a defendant in 13 separate lawsuits totaling W 3,608 million and US\$ 3,900 thousand (4 separate suits do not settle the amount as of June 30, 2002). These litigations are pending as of June 30, 2002. The Company's management believes that, although the outcome of these matters are uncertain, the resolution of these matters will not have a material adverse effect on the operations or financial position of the Company.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**17. Capital Surplus :**

Capital surplus as of June 30, 2002 and 2001 consists of the following :

|  | In Millions of Won |                    |
|--|--------------------|--------------------|
|  | 2002               | 2001               |
| Asset revaluation surplus              | ₩ 3,172,776        | ₩ 3,172,776        |
| Paid-in capital in excess of par value | 463,825            | 463,825            |
| Others                                 | 36,680             | 35,701             |
|  | <u>₩ 3,673,281</u> | <u>₩ 3,672,302</u> |

**18. Retained Earnings :**

Retained earnings as of June 30, 2002 and 2001 consist of the following :

|                                      | Reference | In Millions of Won |             |
|--------------------------------------|-----------|--------------------|-------------|
|                                      |           | 2002               | 2001        |
| <b>Appropriated</b>                  |           |                    |             |
| Legal reserve                        | (A)       | ₩ 241,202          | ₩ 241,202   |
| Reserve for business rationalization | (B)       | 918,300            | 869,300     |
| Other legal reserve                  | (C)       | 654,867            | 663,994     |
| Voluntary reserve                    | (D)       | 5,102,023          | 4,825,698   |
|                                      |           | 6,916,392          | 6,600,194   |
| <b>Unappropriated</b>                |           |                    |             |
|                                      |           | 1,105,850          | 375,260     |
|                                      |           | ₩ 8,022,242        | ₩ 6,975,454 |
|                                      |           | 2                  | 4           |

(A) The Korean commercial code requires the Company to appropriate as a legal reserve an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of capital stock. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(B) Pursuant to the Korean Tax Exemption and Reduction Control Law, the Company is required to appropriate as a reserve for business rationalization, an amount equal to the reduction of income taxes resulting from various tax credits and certain deductions from taxable income specified by such law. This reserve may be used for the reduction of accumulated deficit, if any, or transferred to capital stock.

*Continued :*

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**18. Retained Earnings, Continued :**

- (C) In accordance with the Regulation for Securities Issuance and Disclosure, the Company is required to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50% of the net gain on sale of property, plant and equipment and 10% of net earnings for each year until the Company's net worth equals 30% of total assets. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.
- (D) Other voluntary reserve represents amounts appropriated by the Company for unspecified purposes and can be used for any purpose through shareholders' resolution.

Unappropriated retained earnings as of June 30, 2002 consist of the following :

| Classification   | In Millions of Won |
|--|--------------------|
| Unappropriated retained earnings carried over from prior years | ₩ 70,547           |
| Cumulative effect of accounting changes                        | 717,510            |
| Net income   | 358,635            |
| Interim dividend   | (40,842)           |
| Total  | ₩ 1,105,850        |

During the six-month period ended June 30, 2002, in accordance with the Company's new corporate accounting standards, the Company reversed previously recorded allowance to the beginning retained earnings and reflected the deferred tax liability amounting to ₩ 1,020,640 million and ₩ 303,130 million, respectively. The effect of these accounting changes increased the beginning balance of retained earnings by ₩ 717,510 million.

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**18. Retained Earnings, Continued :**

In addition, the effect of these accounting changes increased net income for the six-month period ended June 30, 2002 by ₩ 15,221 million

The BOD of the Company, at its meeting held on July, 22, 2001, adopted a resolution for interim dividend payment as follows :

- Dividend rate : 10% on par value
- Payment per share : ₩500
- Total payment : ₩40,842 million

**19. Capital adjustments :**

Capital adjustments as of June 30, 2002 and 2001 consists of the following :

|   | In Millions of Won |                      |
|---|--------------------|----------------------|
|   | 2002               | 2001                 |
| Treasury stock                                  | ₩ (1,173,291)      | ₩ (1,473,568)        |
| Valuation gain on investment securities         | 177,636            | (269,216)            |
| Foreign-based operations translation adjustment | 24,011             | 27,929               |
| Valuation loss on derivatives                   | (3,906)            | -                    |
|   | <u>₩ (975,550)</u> | <u>₩ (1,714,855)</u> |

As of June 30, 2002, the Company holds 11,686,710 shares of its own common stock. It is the intention of management to sell the treasury shares in the near future.

POSCO  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

**20. Stock Option Plan :**

On July 23, 2001, the Company granted stock options to the executive officers of the Company in accordance with the stock option plan approved by the Board of Directors. The details of the stock options granted are as follows :

- Number of Grantees : 38 persons
- Exercise price : ₩98,400 per share
- Number of shares : 498,000 shares (0.52% of total common stock issued)
- Exercise period : July 24, 2003 ~ July 23, 2008
- Method : Cash or stock compensation for the difference between exercise price and fair market value of the option

In addition, on April 27, 2001, the Company granted stock options to the executive officers of the Company in accordance with the stock option plan approved by the Board of Directors. The details of the stock options granted are as follows :

- Number of Grantees : 6 persons
- Exercise price : ₩135,800 per share
- Number of shares : 60,000 shares (0.06% of total common stock issued)
- Exercise period : April 28, 2004 ~ April 27, 2009
- Method : Cash or stock compensation for the difference between exercise price and fair market value of the option

**21. Derivatives :**

(A) The Company has entered into cross currency swap agreements with financial institutions to reduce currency risk. Swap contracts outstanding as of June 30, 2002 as follows :

|                  | Maturity                 | The amount of transaction |                         | Annual interest rate (%) |          |
|------------------|--------------------------|---------------------------|-------------------------|--------------------------|----------|
|                  |                          | Receive                   | Pay                     | Receive                  | Pay      |
| Societe Generale | 2002.3.19 ~<br>2004.7.15 | \$ 74,000,000             | ¥ 9,725,080,000         | 7.13                     | 2.93     |
| CitiBank         | "                        | 50,000,000                | 6,572,500,000           | "                        | "        |
| Credit Lyonnais  | "                        | 50,000,000                | 6,570,000,000           | "                        | "        |
|                  |                          | <u>\$ 174,000,000</u>     | <u>¥ 22,867,580,000</u> | <u>"</u>                 | <u>"</u> |

*Continued :*

POSCO

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2002 and 2001

(See independent accountants' review report)

21. Derivatives , Continued :

Since the above contracts are to reduce interest rate and currency risk, the related gains (loses) are included in non-operating income (non-operating expense). The details of gains (losses) are as follows :

|                                  | In Millions of Won |           |
|----------------------------------|--------------------|-----------|
|                                  | 2002.6.30          | 2001.6.30 |
| Valuation gain on derivatives    | ₩ -                | ₩ 11,325  |
| Valuation loss on derivatives(*) | 15,816             | -         |
| Transaction gain on derivatives  | -                  | 1,655     |
| Transaction loss on derivatives  | -                  | 20,911    |

(\*) Valuation loss is recorded as other long-term liabilities in the balance sheet.

(B) Also, the Company has entered into forward currency contracts (Long position of USD and short position of JPY) to hedge the fluctuation risk of future cash flows. Forward contracts outstanding as of June 30, 2002 as follows :

|                 |             |  | Transaction amount |                 |
|-----------------|-------------|--|--------------------|-----------------|
|                 |             |  | Receive            | Pay             |
| Credit Agricole | 2002.4.15 ~ |  | \$ 6,914,566.      | ¥               |
| Indosuez        | 2002.10.31  |  | 69                 | 900,000,000     |
| ING             | 2002.4.15 ~ |  | 11,454,753.72      | 1,500,000,000   |
|                 | 2002.7.31   |  |                    |                 |
| Deutsche Bank   | 2002.4.15 ~ |  | 7,663,422.00       | 1,000,000,000   |
|                 | 2002.9.30   |  |                    |                 |
| Bank of America | 2002.4.15 ~ |  | 7,647,598.65       | 1,000,000,000   |
|                 | 2002.8.31   |  |                    |                 |
|                 |             |  | \$ 33,680,341.06   | ¥ 4,400,000,000 |

Since the above contracts are to reduce risk of future cash flows, valuation gains (losses) are added on capital adjustments. The details of gains (losses) are as follows :

|                                 | In Millions of Won |      |
|---------------------------------|--------------------|------|
|                                 | 2002               | 2001 |
| Valuation loss on derivatives   | ₩ 3,906            | ₩ -  |
| Transaction gain on derivatives | 249                | -    |

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**22. Cost of Goods Sold :**

Cost of goods sold for the six-month period ended June 30, 2002 and 2001 consists of the following :

|                                 | In Millions of won |             |
|---------------------------------|--------------------|-------------|
|                                 | 2002               | 2001        |
| Inventories at beginning period | ₩ 239,371          | ₩ 248,219   |
| Cost of goods manufactured      | 4,193,039          | 4,352,231   |
| Transfer from other accounts    | 39,699             | (7,672)     |
| Inventories at end of period    | (164,441)          | (226,083)   |
| Cost of good sold               | 4,307,668          | 4,366,695   |
| Others                          | 180,656            | 182,265     |
| Refund of custom duties         | (8,658)            | (8,850)     |
| Total                           | ₩ 4,479,666        | ₩ 4,540,110 |

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**23. Selling, General and Administrative Expenses :**

Selling, general and administrative expenses for the six-month period ended June 30, 2002 and 2001 consist of the following :

|                                  | In Millions of Won |           |
|----------------------------------|--------------------|-----------|
|                                  | 2002               | 2001      |
| Salaries and wages               | ₩ 27,775           | ₩ 21,270  |
| Provision for severance benefits | 4,030              | 2,657     |
| Depreciation                     | 16,574             | 7,933     |
| Welfare                          | 15,300             | 14,200    |
| Travel                           | 4,085              | 3,302     |
| Utilities                        | 431                | 613       |
| Communications                   | 2,446              | 2,162     |
| Taxes and public dues            | 1,204              | 1,108     |
| Rent                             | 18,851             | 1,332     |
| Repairs                          | 4,435              | 3,807     |
| Insurance                        | 208                | 158       |
| Fees and charges                 | 26,248             | 24,006    |
| Supplies                         | 3,261              | 3,888     |
| Normal research                  | 2,103              | 2,598     |
| Subscriptions and printing       | 684                | 586       |
| Training                         | 3,856              | 2,837     |
| Vehicle expenses                 | 1,776              | 825       |
| Sale actively expellee           | 195,554            | 186,522   |
| Entertainment                    | 2,020              | 832       |
| Advertising                      | 13,558             | 11,520    |
| Others                           | 24,013             | 12,358    |
|                                  | ₩ 368,412          | ₩ 304,514 |

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**24. Donations :**

Donations of the Company for the six-month period ended June 30, 2002 and 2001 consist of the following :

|                              |   | In Millions of Won |         |
|------------------------------|---|--------------------|---------|
|                              |   | 2002               | 2001    |
| POSCO Educational Foundation | ₩ | 5.00               | ₩ 18.00 |
|                              |   | 0                  | 0       |
| Others                       |   | 1,408              | 2,119   |
|                              | ₩ | 6.40               | ₩ 20.11 |
|                              |   | 8                  | 9       |

**25. Income Tax Expense :**

The statutory income tax rate applicable to the Company, including resident surtax, for the six month period ended June 30, 2002 and 2001 are approximately 29.7% and 30.8%, respectively.

Income tax expense for the six-month period ended June 30, 2002 and 2001 consists of the following :

|                     |   | Millions of Won |           |
|---------------------|---|-----------------|-----------|
|                     |   | 2002            | 2001      |
| Current income tax  | ₩ | 153,07          | ₩ 166,804 |
|                     |   | 3               |           |
| Deferred income tax |   | (68,973)        | (38,792)  |
|                     | ₩ | 84,100          | ₩ 128,012 |

*Continued :*

POSCO

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2002 and 2001  
(See independent accountants' review report)

25. Income Tax Expense, Continued ;

The following table reconciles income tax expense computed at the statutory rates to the actual income tax expense recorded by the Company :

|   | In Millions of Won |           |
|---|--------------------|-----------|
|   | 2002               | 2001      |
| Net income before income tax expense          | ₩ 442,735          | ₩ 482,609 |
| Statutory tax rate                            | 29.7%              | 30.8%     |
| Income tax expense computed at statutory rate | 131,492            | 148,643   |
| Tax credit                                    | (46,411)           | (22,568)  |
| Other, net                                    | (981)              | 1,937     |
| Income tax expense                            | ₩ 84,100           | ₩ 128,012 |
| Effective rate                                | 18.99%             | 26.52%    |

Components of deferred taxes as of June 30, 2002 are as follows :

|   | In Millions of Won                                |                           |   |
|---|---|---------------------------|---|
|   | Beginning Balance<br>(As of December 31,<br>2001) | Increase(*)<br>(Decrease) | Ending Balance<br>(As of June 30, 2002) |
| (Deferred tax assets)                   |   |                           |   |
| Reserve for repair                      | ₩ 144,774   | ₩ (144,774)               | ₩ -                                     |
| Deferred foreign exchange losses        | 30,931  | (7,592)                   | 23,339                                  |
| Related party's dividend                | 32,229  | 11,247                    | 43,476                                  |
| Impairment loss for tangible asset      | 29,821  | 39,350                    | 69,171                                  |
| Allowance for doubtful accounts         | 20,755  | 5,556                     | 26,311                                  |
| Others                                  | 57,093  | 25,990                    | 83,083                                  |
| Total deferred tax assets               | 315,603   | (70,223)                  | 245,380                                 |
| (Deferred tax liabilities)              |   |                           |   |
| Reserve for repair                      | -   | 154,258                   | 154,258                                 |
| Earnings from equity-method investments | 15,687  | (10,548)                  | 5,139                                   |
| Accrued income                          | 24,783  | (4,104)                   | 20,679                                  |
| Reserve for technology development      | 186,120   | 28,215                    | 214,335                                 |
| Others                                  | 10,633  | (5,959)                   | 4,674                                   |
| Total deferred tax liabilities          | 237,223   | 161,862                   | 399,085                                 |
| Net deferred tax assets                 | ₩ 78,380  | ₩ (232,085)               | ₩ (153,705)                             |

(\*) Decrease in net deferred tax assets ₩232,085 million is composed of income tax expense of ₩68,973 million, non-operating expense of ₩2,280 million, capital adjustments of ₩△208 million and retained earnings adjustment of ₩△303,130 million.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**26. Earnings per share :**

Earnings per share and diluted earnings per share for the six-month period ended June 30, 2002 and 2001 are calculated as follows :

**(A) Earnings per share**

|   | In Millions of Won |            |
|---|--------------------|------------|
|   | 2002               | 2001       |
| Net income  | ₩ 358,635          | ₩ 354,597  |
| Weighted average number of shares of common stock | 81,900,640         | 81,550,931 |
| Earnings per share in Korean Won                  | 4,379              | 4,348      |

**(B) Diluted Earnings per share**

The compensatory stock option, which the Company has awarded, has no effect on dilution. Therefore, diluted earnings per share are equal to basic earnings per share.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**27. Foreign Currency Translation :**

Foreign currency denominated assets and liabilities as of June 30, 2002 and 2001 are as follows :

| In Millions of Won      |                  |                |                  |                |
|-------------------------|------------------|----------------|------------------|----------------|
|                         | 2002             |                | 2001             |                |
|                         | Foreign currency | Won equivalent | Foreign currency | Won equivalent |
| Assets :                |                  |                |                  |                |
| Cash (*)                | US\$ 217,826,500 | 261.784        | US\$ 295,984,804 | 384.987        |
|                         | ¥ 290,702,128    | 3.038          | ¥ 249,646,681    | 2.605          |
|                         | EUR 717,205      | 854            |                  |                |
| Trade receivables       | US\$ 30,127,393  | 36.207         | US\$ 68,537,968  | 89.147         |
|                         | ¥ 1,029,268,949  | 10.339         | ¥ 1,572,663,448  | 16.408         |
|                         |                  |                | EUR 7,180,370    | 7.933          |
| Other receivables       | US\$ 569,707     | 685            | US\$ 1,567,004   | 2.038          |
| Guaranty deposits       | US\$ 280,413     | 337            | US\$ 238,834     | 311            |
|                         |                  | ₩ 313.24       |                  | ₩ 503.42       |
|                         |                  | 4              |                  | 9              |
| Liabilities :           |                  |                |                  |                |
| Trade payables          | US\$ 43,951,472  | 52.821         | US\$ 277,287,015 | 360.667        |
|                         | ¥ 350,999,053    | 3.526          |                  |                |
|                         | EUR 2,378,061    | 2.831          |                  |                |
|                         | GBP 1,000        | 2              |                  |                |
| Accounts payable, other | US\$ 3,987,168   | 4.792          | US\$ 6,201,596   | 8.066          |
|                         | ¥ 229,156,267    | 2.302          | ¥ 92,167,655     | 962            |
|                         | EUR 2,021,387    | 2.407          | EUR 547,611      | 605            |
| Accrued expenses        | US\$ 94,702,356  | 113.831        | US\$ 90,507,802  | 117.723        |
|                         | ¥ 1,479,853,446  | 14.865         | ¥ 2,953,338,450  | 30.812         |
|                         | EUR 4,578,731    | 5.452          | EUR 553,258      | 611            |
|                         | GBP              | 332            |                  |                |

|                        |                |                    |                  |                    |
|------------------------|----------------|--------------------|------------------|--------------------|
|                        | 180.177        |                    |                  |                    |
|                        | US\$           |                    | US\$             |                    |
| Debentures             | 1,053,060,000  | 1,265,568          | 1,083,060,000    | 1,408,736          |
|                        | ¥              |                    | ¥                |                    |
|                        | 80,000,000,000 | 803,608            | 80,000,000,000   | 834,648            |
| Foreign currency       | US\$           |                    |                  |                    |
| loans                  | 43,589,146     | 52,385             | US\$ 136,696,285 | 177,801            |
|                        | ¥              |                    |                  |                    |
|                        | 4,344,771,516  | 43,644             | ¥ 6,343,240,874  | 66,179             |
| Loans from foreign     | US\$           |                    |                  |                    |
| financial institutions | 395,516,120    | 475,331            | US\$ 407,772,822 | 530,390            |
|                        | ¥              |                    | ¥                |                    |
|                        | 4,082,221,425  | 41,006             | 6,772,267,347    | 70,655             |
|                        | EUR            |                    |                  |                    |
|                        | 35,291,017     | 42,022             | EUR 37,587,458   | 41,527             |
|                        |                | <u>₩ 2,926,725</u> |                  | <u>₩ 3,649,382</u> |

(\*) Cash ,Cash equivalents and short-term financial instrument are included.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**28. Related party Transactions :**

Significant transactions with related parties for the six-month period ended June 30, 2002 and 2001 and the related receivables and payables at June 30, 2002 and 2001 are as follows :

| Company                                | In Millions of Won |           |             |           |
|--|--------------------|-----------|-------------|-----------|
|  | Sales              | Purchase  | Receivables | Payables  |
| POSCO E&C                              | ₩ 1,413            | ₩ 470,698 | ₩ 30,012    | ₩ 64,487  |
| Posteel Co., Ltd                       | 709,538            | 746       | 164,120     | 3         |
| POSCON Co., Ltd                        | 25                 | 62,621    | 7,349       | 9,619     |
| Pohang Steel Co., Ltd                  | 106,385            | 697       | 20,563      | 1,137     |
| POSCO Machinery & Engineering Co., Ltd | 16                 | 37,918    | 3,118       | 7,451     |
| POSDATA Co., Ltd                       | 391                | 74,064    | 392         | 21,762    |
| POSCO Research Institute               | -                  | 3,137     | -           | 24        |
| Seung Kwang Co., Ltd                   | -                  | 1         | 583         | -         |
| POS-AC Co., Ltd                        | 200                | 7,826     | -           | 612       |
| Changwon Sepecialty Steel Co., Ltd     | 248                | 25,246    | 3           | 6,646     |
| POSCO Machinery Co., Ltd               | 1                  | 34,160    | 1,086       | 6,901     |
| POSAM                                  | 96,125             | 160       | -           | -         |
| POSA                                   | -                  | 95,899    | -           | 1,300     |
| POSCAN                                 | -                  | 21,757    | -           | -         |
| POA                                    | -                  | 33,190    | 4,743       | 1,664     |
| PIO                                    | -                  | 1,372     | 2,320       | 149       |
| VPS                                    | -                  | -         | 8           | -         |
| Daeryun Steel Co., Ltd                 | -                  | 4         | 290         | -         |
| Janggahang Pohang                      | 9                  | -         | -           | -         |
| Sunduk Pohang Steel Co., Ltd           | 2                  | -         | -           | -         |
| POSVEN                                 | -                  | -         | 159,839     | -         |
| POSTECH Venture Capital Co., Ltd       | 25                 | -         | -           | 42        |
| POSCO Refractories & Environments      | 13                 | 72,226    | -           | 15,347    |
| Korea Daily News                       | -                  | 107       | -           | -         |
| KOBRASCO                               | -                  | 39,332    | -           | -         |
| UPI                                    | -                  | -         | -           | -         |
| POSCHROME                              | -                  | 10,444    | -           | 216       |
| NtoBe                                  | -                  | 3,742     | -           | 278       |
| 2002                                   | ₩ 914,391          | ₩ 995,347 | ₩ 394,426   | ₩ 137,638 |
| 2001                                   | ₩ 1,057,416        | ₩ 186,569 | ₩ 349,891   | ₩ 177,196 |

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**

**29. Research and Development Expenditures :**

The Company accounted the cost of ERP and process innovation as other intangible assets. Summary of other intangible assets are as follows.

|             | 2002 |          | 2001 |         |
|-------------|------|----------|------|---------|
| December 31 | ₩    | 177,320  | ₩    | 139,532 |
| Increase    |      | 28,006   |      | 63,378  |
| Decrease    |      | (32,381) |      | (3,322) |
| June 30     | ₩    | 172,945  | ₩    | 199,588 |

In addition, research and development costs charged to costs of good sold and sales and administrative expenses during the six month ended June 30, 2002 and 2001 are ₩88,593 million and ₩93,535 million, respectively.

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**30. Regional Information :**

The Company has one plant in Pohang and another plant in Kwangyang in the Republic of Korea. Regional financial and operating results as of and for the six-month period ended June 30, 2002 are as follows :

**(A) Regional Major Products**

|                     | Pohang mill                         | Kwangyang Mill            |
|---------------------|-------------------------------------|---------------------------|
| Major Facilities :  |                                     |                           |
| Hot Roll            | HR, HR Sheet                        | HR coil, HR Sheet         |
| Cold Roll           | CR, CR Sheet                        | CR coil, CR Sheet         |
| Plate               | Plate                               | -                         |
| Electric iron       | Electric iron coil                  | -                         |
| Stainless           | STS HR Coil, etc                    | -                         |
| Half-finished goods | Slab, Bloom                         | Slab                      |
| Major Facilities :  |                                     |                           |
| Furnaces            | 1 ~ 4 furnaces, F furnace,<br>COREX | 1 ~ 5 furnaces            |
| Steel manufacturing | 1 ~ 2 steel manufacturing           | 1 ~ 2 steel manufacturing |
| Hot Roll            | 1 ~ 2HR                             | 1 ~ 3 HR, Mini mill       |
| Cold Roll           | 1 ~ 2CR                             | 1 ~ 4 CR                  |
| Others              | HR, Steel plate, STS and etc.       | -                         |
| Number of employees | 9,416 persons                       | 7,236 persons             |

*Continued :*

**POSCO**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2002 and 2001**  
**(See independent accountants' review report)**

**30. Regional Information, Continued ;**

(B) Regional financial status as of and for the six-month period ended June 30, 2002 and 2001 are as follows :

| 2002                | In Millions of Won |                 |                 |                 |
|---------------------|--------------------|-----------------|-----------------|-----------------|
|                     | Pohang             | Kwangyang       | Others          | Total           |
| Sales (*)           | ₩ 3,007,29<br>5    | ₩ 2,438,95<br>0 | ₩ 8,108         | ₩ 5,454,35<br>3 |
| Fixed assets :      |                    |                 |                 |                 |
| Tangible assets(**) | 3,585,618          | 4,049,433       | 1,484,339       | 9,119,390       |
| Intangible assets   | 171,593            | 126,534         | 17,113          | 315,240         |
| Total               | ₩ 3,757,21<br>1    | ₩ 4,175,96<br>7 | ₩ 1,501,45<br>2 | ₩ 9,434,63<br>0 |
| Depreciation        | ₩ 277,26<br>6      | ₩ 339,26<br>3   | ₩ 25,701        | ₩ 642,230       |

  

| 2001                 | In Millions of Won |                 |           |                 |
|----------------------|--------------------|-----------------|-----------|-----------------|
|                      | Pohang             | Kwangyang       | Others    | Total           |
| Sales (*)            | ₩ 3,042,70<br>6    | ₩ 2,520,78<br>1 | ₩ 15,988  | ₩ 5,579,47<br>5 |
| Fixed assets :       |                    |                 |           |                 |
| Tangible assets (**) | 3,852,147          | 4,943,130       | 110,776   | 8,906,053       |
| Intangible assets    | 261,671            | 94,294          | -         | 355,965         |
| Total                | ₩ 4,113,81<br>8    | ₩ 5,037,42<br>4 | ₩ 110,776 | ₩ 9,262,01<br>8 |
| Depreciation(**)     | ₩ 245,58<br>3      | ₩ 321,85<br>4   | ₩ 160     | ₩ 567,59<br>7   |

(\*) Consists of steel products excluding inter-plant transactions between the two plants.

(\*\*) Represents book value.

**POSCO  
AND SUBSIDIARIES**

Consolidated Financial Statements  
For The Six-month period Ended June 30, 2002

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Board of Directors of  
POSCO and Subsidiaries:

We have reviewed the accompanying consolidated balance sheet of POSCO and its subsidiaries (collectively referred to as the "Company") as of June 30, 2002, and the related consolidated statements of earnings, stockholders' equity and cash flows for the six-month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. We did not review the financial statements of 32 subsidiaries, including POSCO E&C, which statements reflect total assets and revenues constituting 21.47 percent and 36.03 percent, respectively, of the related consolidated assets and revenues. Those statements were reviewed by other accountants whose reports have been furnished to us, and our review, in so far as it relates to the amounts included for the subsidiaries, is based solely on the reports for the other accountants.

We conducted our review in accordance with semi-annual review standards as established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review and the reports of the other accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects, in accordance with accounting standards for preparing semi-annual financial statements in the Republic of Korea.

As discussed in Note 1 to the consolidated financial statements, the Company changed its name from POHANG IRON & STEEL CO., Ltd to POSCO in accordance with the approval of the shareholders on March 15, 2002.

As discussed in Note 17 to the consolidated financial statements, the operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general unstable economic condition in the Republic of Korea and in the Asia pacific region. The ultimate effect of these significant uncertainties on the financial position of the Company as of the balance sheet data cannot presently be determined and accordingly, no adjustments have been made in the accompanying consolidated financial statements related to such uncertainties.

As discussed in Note 19 to the consolidated financial statements, during the six-month period ended June 30, 2002, in accordance with the Company's newly established corporate accounting standards, the Company reversed previously recorded reserve for repairs. As a result, beginning balance of retained earnings increased by ₩717,510 million and net income for the current period increased by ₩15,221 million.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

The accompanying consolidated financial statements are not intended to present the financial position or results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The procedures and practices used to review such consolidated financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying consolidated financial statements are not intended for use by those who are not informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea  
July 19, 2002

**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
June 30, 2002  
(See independent accountants' review report)

|  | Unaudited                    |  |
|--|------------------------------|--|
|  | In millions of Korean<br>Won | In Thousands of U.S.<br>Dollars (Note 3) |
| <b>ASSETS</b>  |                              |  |
| Current Assets:  |                              |  |
| Cash and cash equivalents (Note 4)   | ₩ 573.63                     | \$ 477,314                               |
| Short-term financial instruments (Note 4)  | 5                            | 246,295                                  |
| Marketable securities (Note 5)   | 295.997                      | 792,464                                  |
| Trade accounts and notes receivable, net of allowances<br>for doubtful accounts and present value discount<br>(Notes 6 and 28)   | 952.383                      | 1,297.186                                |
| Other accounts and notes receivable, net of<br>allowances for doubtful accounts and present value<br>discount (Note 6)           | 1,558.960                    | 161,435                                  |
| Inventories (Note 7)   | 194.013                      | 1,421.201                                |
| Other current assets (Note 11)   | 1,708.001                    | 67.980                                   |
| Total current assets   | 81.698                       | 5,364.687                                |
| Long-term financial instruments (Note 4)   | 5,364.687                    | 7,296                                    |
| Investment securities (Note 8)   | 8,769                        | 2,411.182                                |
| Long-term loans, net of allowances for doubtful<br>accounts and present value discount (Notes 6 and<br>28)                       | 2,897.758                    | 107.660                                  |
| Long-term trade accounts and notes receivable, net of<br>allowances for doubtful accounts and present value<br>discount (Note 6) | 129.387                      | 45.945                                   |
| Property, plant and equipment, net of accumulated<br>depreciation (Note 9)   | 55.216                       | 8,646.135                                |
| Intangibles, net of amortization (Note 10)   | 10,390.927                   | 385,830                                  |
| Deferred income tax assets   | 463.682                      | 19,769                                   |
| Guarantee deposits   | 23.758                       | 34,639                                   |
| Other assets (Notes 4 and 11)  | 41.629                       | 68,367                                   |
| Total assets   | 82.164                       | 19,457.977                               |
|  | ₩ 19,457.977                 | \$ 16,190.698                            |

The accompanying notes are an integral part of these semi-annual statements.

*Continued :*

**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
June 30, 2002  
(See independent accountants' review report)

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|   | Unaudited                    |  |
|---|------------------------------|--|
|   | In millions of Korean<br>Won | In Thousands of U.S.<br>Dollars (Note 3) |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                              |  |
| Current Liabilities:  |                              |  |
| Trade accounts and notes payable (Note 28)  | ₩ 630.647                    | \$ 524.752                               |
| Short-term borrowings (Note 12)   | 833.384                      | 693.447                                  |
| Current portion of long-term debt, net of discount<br>on debentures (Note 12)   | 1.204.108                    | 1.001.920                                |
| Accrued expenses  | 271.316                      | 225.758                                  |
| Accounts payable, other   | 163.353                      | 135.924                                  |
| Withholdings  | 39.613                       | 32.962                                   |
| Income tax payable  | 175.800                      | 146.281                                  |
| Dividends payable   | 42.206                       | 35.119                                   |
| Other current liabilities (Note 16)   | 324.963                      | 270.397                                  |
| Total current liabilities   | 3.685.390                    | 3.066.560                                |
| Long-term debt, net of current portion and discount<br>on debentures issued (Note 13)   | 4.028.405                    | 3.351.976                                |
| Accrued severance indemnities, net of national<br>pension fund for employees and severance<br>insurance deposits<br>(Note 15) | 121.040                      | 100.716                                  |
| Deferred income tax liabilities   | 163.801                      | 136.297                                  |
| Other long term liabilities (Note 16)   | 117.369                      | 97.661                                   |
| Total liabilities   | 8.116.005                    | 6.753.210                                |
| Shareholders' equity :  |                              |  |
| Common stock (Note 1)   | 482.403                      | 401.401                                  |
| Capital surplus (Note 18)   | 3.848.834                    | 3.202.558                                |
| Retained earnings (Note 19)   | 7.952.632                    | 6.617.268                                |
| Capital adjustments (Note 20)   | (1.127.498)                  | (938.174)                                |
|   | ₩ 11.156.<br>371             | \$ 9,283.0<br>53                         |

The accompanying notes are an integral part of these semi-annual statements.

**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

June 30, 2002  
(See independent accountants' review report)

|   | Unaudited                    |  |
|---|------------------------------|--|
|   | In millions of Korean<br>Won | In Thousands of U.S.<br>Dollars (Note 3) |
| LIABILITIES AND SHAREHOLDERS' EQUITY, Continued |                              |  |
| Minority interests :                            |                              |  |
| Common stock                                    | 156,715                      | 130,400                                  |
| Capital surplus and retained earnings           | 28,886                       | 24,035                                   |
|   | <u>185,601</u>               | <u>154,435</u>                           |
| Total shareholders' equity                      | 11,341,972                   | 9,437,488                                |
| Total liabilities and shareholder's equity      | <u>₩ 19,457,977</u>          | <u>\$ 16,190,698</u>                     |

The accompanying notes are an integral part of these semi-annual statements.

**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF EARNINGS**  
for the six-month period ended June 30, 2002  
(See independent accountants' review report)

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|  | Unaudited                    |  |
|--|------------------------------|--|
|  | In millions of Korean<br>Won | In Thousands of U.S.<br>Dollars (Note 3) |
| Net sales (Notes 28 and 29)                                  | ₩ 6,456,345                  | \$ 5,372,229                             |
| Cost of sales  | 5,288,536                    | 4,400,513                                |
| Gross profit   | 1,167,809                    | 971,716                                  |
| Selling, general and administrative expenses (Note 23)       | 471,644                      | 392,449                                  |
| Operating income   | 696,165                      | 579,267                                  |
| Non-operating income :                                       |                              |  |
| Interest and dividend income                                 | 40,050                       | 33,325                                   |
| Gain on foreign currency transactions                        | 32,901                       | 27,376                                   |
| Gain on foreign currency translation                         | 215,635                      | 179,426                                  |
| Marketable securities valuation gains                        | 4,511                        | 3,753                                    |
| Gain on disposal of marketable securities                    | 17,405                       | 14,482                                   |
| Gain on disposal of property, plant and equipment            | 14,451                       | 12,024                                   |
| Valuation gain of derivatives (Note 22)                      | 7,104                        | 5,911                                    |
| Transaction gain of derivatives (Note 22)                    | 3,604                        | 2,999                                    |
| Other  | 62,722                       | 52,193                                   |
|  | 398,383                      | 331,489                                  |
| Non-operating expenses :                                     |                              |  |
| Interest expenses  | 174,807                      | 145,454                                  |
| Loss on foreign currency transactions                        | 50,934                       | 42,382                                   |
| Loss on foreign currency translation                         | 271,885                      | 226,232                                  |
| Inventory valuation losses                                   | 1,794                        | 1,492                                    |
| Loss on disposal   | 17,683                       | 14,714                                   |
| Loss on impairment (Note 25)                                 | 132,720                      | 110,434                                  |
| Donation (Note 24)   | 6,529                        | 5,432                                    |
| Other  | 54,179                       | 45,082                                   |
|  | 710,531                      | 591,222                                  |
| Ordinary profit  | 384,017                      | 319,534                                  |
| Extraordinary gain   | -                            | -  |
| Extraordinary loss   | -                            | -  |
| Net income before income tax expenses and minority interests | 384,017                      | 319,534                                  |
| Income taxes expenses  | 106,397                      | 88,531                                   |

# POSCO AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EARNINGS

for the six-month period ended June 30, 2002  
(See independent accountants' review report)

|  | Unaudited                    |  |
|--|------------------------------|--|
|  | In millions of Korean<br>Won | In Thousands of U.S.<br>Dollars (Note 3) |
| Net income before minority interests                         | 277,620                      | 231,003                                  |
| Minority interests in loss of consolidated subsidiaries      | (79,760)                     | (66,367)                                 |
| Net income   | <u>₩ 357,380</u>             | <u>\$ 297,370</u>                        |
| Earnings per share (Note 27) (In Korean Won and U.S. dollar) | <u>₩ 4.364</u>               | <u>\$ 3.63</u>                           |

The accompanying notes are an integral part of these semi-annual statements.

# POSCO AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

for the six-month period ended June 30, 2002

(See independent accountants' review report)

| In millions of Korean Won                                      |                 |                    |                      |                       |                       |                  |
|--|-----------------|--------------------|----------------------|-----------------------|-----------------------|------------------|
| Unaudited  |                 |                    |                      |                       |                       |                  |
|  | Common<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Capital<br>Adjustment | Minority<br>Interests | Total            |
| Balance at January 1, 2002                                     | ₩ 482.40<br>3   | ₩ 3,859.03<br>0    | ₩ 6,966.18<br>9      | ₩ (1,125,004<br>)     | ₩ 168,17<br>1         | ₩ 10,350.78<br>9 |
| Capital increase of<br>consolidated subsidiaries               | -               | (2,376)            | -                    | -                     | -                     | (2,376)          |
| Gain on disposal of<br>treasury stock                          | -               | (341)              | -                    | -                     | -                     | (341)            |
| Net income   | -               | -                  | 357,380              | -                     | -                     | 357,380          |
| Prior period adjustments                                       | -               | -                  | 3,443                | -                     | (54)                  | 3,389            |
| Cumulative effect of<br>accounting policy change               | -               | -                  | 717,510              | -                     | (279)                 | 717,231          |
| Effect of change in<br>percentage of ownership<br>of investees | -               | (7,508)            | 1,128                | -                     | 22,206                | 15,826           |
| Additional loss of minority<br>interests                       | -               | -                  | (49,397)             | -                     | 49,397                | -                |
| Dividends  | -               | -                  | (40,842)             | -                     | (6,145)               | (46,987)         |
| Reclassification of<br>treasury stock                          | -               | -                  | -                    | 12,113                | -                     | 12,113           |
| Overseas operation<br>translation adjustment                   | -               | -                  | -                    | (8,413)               | 35,680                | 27,267           |
| Valuation gain (loss) on<br>investment securities              | -               | -                  | -                    | 1,641                 | (1,072)               | 569              |
| Valuation gain (loss) on<br>currency forward contract          | -               | -                  | -                    | (4,558)               | -                     | (4,558)          |
| Other capital adjustment                                       | -               | -                  | -                    | -                     | 2,018                 | 2,018            |
| Amortization of goodwill                                       | -               | -                  | -                    | -                     | (3,790)               | (3,790)          |
| Minority interests in loss<br>of consolidated<br>subsidiaries  | -               | -                  | -                    | -                     | (79,953)              | (79,953)         |
| Others   | -               | 29                 | (2,779)              | (3,277)               | (578)                 | (6,605)          |
| Balance at June 30, 2002                                       | ₩ 482.40<br>3   | ₩ 3,848.83<br>4    | ₩ 7,952.63<br>2      | ₩ (1,127,498<br>)     | ₩ 185.60<br>1         | ₩ 11,341.97<br>2 |

The accompanying notes are an integral part of these semi-annual statements.

## POSCO AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

for the six-month period ended June 30, 2002  
(See independent accountants' review report)

|  | In thousands of U.S. dollars(Note 3) |                    |                      |                       |                       |              |
|--|--------------------------------------|--------------------|----------------------|-----------------------|-----------------------|--------------|
|  | Unaudited                            |                    |                      |                       |                       |              |
|  | Common<br>Stock                      | Capital<br>Surplus | Retained<br>Earnings | Capital<br>Adjustment | Minority<br>Interests | Total        |
| Balance at January 1,2002                                | \$ 401,401                           | \$ 3,211,042       | \$ 5,796,463         | \$ (936,100)          | \$ 139,932            | \$ 8,612,738 |
| Capital increase of consolidated subsidiaries            | -                                    | (1,977)            | -                    | -                     | -                     | (1,977)      |
| Gain on disposal of treasury stock                       | -                                    | (284)              | -                    | -                     | -                     | (284)        |
| Net income   | -                                    | -                  | 297,370              | -                     | -                     | 297,370      |
| Prior period adjustments                                 | -                                    | -                  | 2,865                | -                     | (45)                  | 2,820        |
| Cumulative effect of accounting policy change            | -                                    | -                  | 597,030              | -                     | (232)                 | 596,798      |
| Effect of change in percentage of ownership of investees | -                                    | (6,248)            | 939                  | -                     | 18,478                | 13,169       |
| Additional loss of minority interests                    | -                                    | -                  | (41,103)             | -                     | 41,103                | -            |
| Dividends  | -                                    | -                  | (33,984)             | -                     | (5,113)               | (39,097)     |
| Reclassification of treasury stock                       | -                                    | -                  | -                    | 10,079                | -                     | 10,079       |
| Overseas operation translation adjustment                | -                                    | -                  | -                    | (7,000)               | 29,689                | 22,689       |
| Valuation gain (loss) on investment securities           | -                                    | -                  | -                    | 1,366                 | (892)                 | 474          |
| Valuation gain (loss) on currency forward contract       | -                                    | -                  | -                    | (3,793)               | -                     | (3,793)      |
| Other capital adjustment                                 | -                                    | -                  | -                    | -                     | 1,679                 | 1,679        |
| Amortization of goodwill                                 | -                                    | -                  | -                    | -                     | (3,154)               | (3,154)      |
| Minority interests in loss of consolidated subsidiaries  | -                                    | -                  | -                    | -                     | (66,528)              | (66,528)     |
| Others   | -                                    | 25                 | (2,312)              | (2,726)               | (482)                 | (5,495)      |
| Balance at June 30,2002                                  | \$ 401,401                           | \$ 3,202,558       | \$ 6,617,268         | \$ (938,174)          | \$ 154,435            | \$ 9,437,488 |

The accompanying notes are an integral part of these semi-annual statements.

**POSCO AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the six-month period ended June 30, 2002  
(See independent accountants' review report)

|   | Unaudited                    |  |
|---|------------------------------|--|
|   | In Millions of<br>Korean Won | In Thousands of U.S.<br>Dollars (Note 3) |
| Cash flows from operating activities :                                  |                              |  |
| Net income  | ₩ 357,380                    | \$ 297,370                               |
| Items not involving operating cash flows :                              |                              |  |
| Depreciation and amortization   | 658,905                      | 548,266                                  |
| Accrual of severance benefits   | 57,301                       | 47,679                                   |
| Amortization of intangibles, net  | 50,300                       | 41,854                                   |
| Provisions for doubtful accounts, net                                   | 1,584                        | 1,318                                    |
| Provision for repairs   |                              |  |
| Unrealized exchange losses (gains), net                                 | 61,585                       | 51,245                                   |
| Marketable securities valuation losses (gains), net                     | 4,511                        | 3,753                                    |
| Loss (gain) on valuation of derivatives, net                            | 9,080                        | 7,555                                    |
| Loss (gain) on disposal of marketable securities and<br>investment, net | (18,039)                     | (15,009)                                 |
| Loss (gain) on disposal of property, plant and<br>equipment, net        | 3,232                        | 2,690                                    |
| Impairment loss on inventories  | 1,794                        | 1,492                                    |
| Impairment loss on investments  | 3,524                        | 2,933                                    |
| Impairment loss on property, plant and equipment                        | 132,720                      | 110,434                                  |
| Recovery of Impairment losses on investments                            | (1,473)                      | (1,226)                                  |
| Equity in losses (earnings) of affiliates, net                          | 7,419                        | 6,174                                    |
| Minority interests in losses of consolidated<br>subsidiaries            | (79,760)                     | (66,367)                                 |
| Compensation expenses associated with stock option                      | 8,139                        | 6,772                                    |
| Other   | (8,224)                      | (6,845)                                  |
|   | 892,598                      | 742,718                                  |
| Changes in operating assets and liabilities :                           |                              |  |
| Trade accounts and notes receivable                                     | 138,683                      | 115,396                                  |
| Inventories   | 37,697                       | 31,367                                   |
| Trade accounts and notes payable  | 5,196                        | 4,324                                    |
| Accrued incomes   | 12,372                       | 10,294                                   |
| Accounts and notes receivable   | 109,288                      | 90,937                                   |
| Accounts and notes payable  | 11,450                       | 9,527                                    |
| Accrued expenses  | (22,004)                     | (18,309)                                 |
| Income tax payable  | 31,576                       | 26,274                                   |
| Deferred income tax   | (82,851)                     | (68,939)                                 |
| Payment of severance benefits   | (6,021)                      | (5,010)                                  |
| Other   | 93,382                       | 77,703                                   |
|   | 328,768                      | 273,564                                  |
| Net cash provided by operating activities :                             | 1,578,746                    | 1,313,652                                |

# POSCO AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS, Continued

for the six-month period ended June 30, 2002  
(See independent accountants' review report)

|  | Unaudited                    |  |
|--|------------------------------|--|
|  | In millions of<br>Korean Won | In Thousands of U.S.<br>Dollars (Note 3) |
| Cash flows from investing activities :   |                              |  |
| Net increase in marketable securities  | (401,627)                    | (334,188)                                |
| Net decrease in short-term financial instruments                                       | 136,428                      | 113,520                                  |
| Net decrease in short-term loans   | 1,014                        | 844                                      |
| Net decrease in investment securities  | 25,435                       | 21,164                                   |
| Proceeds from disposal of property, plant and<br>equipment                             | 32,774                       | 27,271                                   |
| Acquisition of property, plant and equipment   | (813,388)                    | (676,808)                                |
| Net decrease in long-term financial instruments  | 25,990                       | 21,626                                   |
| Other  | (123,816)                    | (103,026)                                |
| Net cash used in investing activities  | (1,117,190)                  | (929,597)                                |
| Cash flow from financing activities :  |                              |  |
| Dividends paid   | (201,317)                    | (167,513)                                |
| Proceeds from short-term borrowings  | 161,907                      | 134,720                                  |
| Proceeds from long-term debt   | 352,119                      | 292,994                                  |
| Reayment of long-term debt   | (568,505)                    | (473,045)                                |
| Issuance of common stock   | 6,690                        | 5,567                                    |
| Acquisition of treasury stock, net   | (1,483)                      | (1,233)                                  |
| Other  | (21,345)                     | (17,762)                                 |
| Net cash used in financing activities  | (271,934)                    | (226,272)                                |
| Effect of exchange rate changes on cash and<br>cash equivalents                        | (24,969)                     | (20,776)                                 |
| Net increase in cash and cash equivalents from changes<br>of consolidated subsidiaries | 5,010                        | 4,168                                    |
| Net increase in cash and cash equivalents  | 169,663                      | 141,175                                  |
| Cash and cash equivalents at January 1, 2002   | 403,972                      | 336,139                                  |
| Cash and cash equivalents at June 30, 2002   | ₩ 573,635                    | \$ 477,314                               |

The accompanying notes are an integral part of these semi-annual statements.

## POSCO AND SUBSIDIARIES

### NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

(See independent accountants' review report)

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#### 1. Consolidated companies:

##### The Controlling Company

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. Annual production capacity is 28,000 thousand tons: 12,200 thousand tons at the Pohang mill and 15,800 thousand tons at the Kwangyang mill. The shares of POSCO have been listed on the Korea Stock Exchange since 1988. POSCO operates 2 plants and 2 offices in domestic areas, and 1 branch and 5 liaison offices overseas. The principal market for POSCO's products is the domestic market in Korea, while export and overseas sales are concentrated in Japan, China and other countries in the Asia / Pacific region.

In accordance with a resolution of the board of directors on March 15, 2002, the Company changed its name from POHANG IRON & STEEL CO., LTD. to POSCO.

Under the Articles of Incorporation, the Company is authorized to issue 200,000,000 shares of common stock (par value of ₩5,000). The Company is also authorized to issue preferred stock, not to exceed 50 percent of the total authorized common shares at issuance, at ₩5,000 par value, which is non-cumulative, non-redeemable, non-voting, and convertible into common stock, no shares of which have been issued as of June 30, 2002.

As of June 30, 2002, 93,589,485 shares of common stock were issued and outstanding. In addition, the Company acquired and retired 2,891,140 shares of treasury stock with the approval of the board of directors on August 25, 2001.

As of December 31, 2001, the Industrial Bank of Korea, Pohang University of Science and Technology, Nippon Steel Corporation, foreign investors and employees own 3.12%, 3.24%, 3.09%, 62.01% and 0.05% of the Company's common stock, respectively. The remaining shares are owned by the public.

##### Consolidated Subsidiaries

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries (collectively referred to as the "Company")

*Continued :*

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Consolidated Subsidiaries

The following table reflects certain information on consolidated subsidiaries as of June 30, 2002 (Millions of Won).

| Classification | Company name                           | Primary business                            | Shareholders' equity | Number of issued stock | Number of shares |              | Percentage of ownership (%) (a) | Location | Percentage of ownership of subsidiaries            |
|----------------|--|---|----------------------|------------------------|------------------|--------------|---------------------------------|----------|--|
|                |  |   |                      |                        | POSCO            | Subsidiaries |                                 |          |  |
| Domestic       | POSCO E&C (POSEC)                      | Engineering and construction                | ₩ 710,001            | 68,696,136             | 66,932,312       | -            | 97.43                           | Pohang   | -  |
|                | Posteel Co., Ltd                       | Steel sales and service                     | 290,899              | 18,000,000             | 17,155,000       | -            | 95.31                           | Pohang   | -  |
|                | POSCON Co., Ltd                        | Electronic control devices manufacturing    | 74,893               | 3,435,000              | 3,098,610        | -            | 90.21                           | Pohang   | -  |
|                | Pohang Steel Co., Ltd                  | Coated steel manufacturing                  | 199,729              | 4,200,000              | 4,000,000        | -            | 95.24                           | Pohang   | -  |
|                | POSCO Machinery & Engineering Co., Ltd | Steel work maintenance                      | 28,385               | 1,700,000              | 1,700,000        | -            | 100.00                          | Pohang   | -  |
|                | POSDATA Co., Ltd                       | Computer hardware and software distribution | 101,789              | 6,155,160              | 4,000,000        | -            | 64.99                           | Sungnam  | -  |
|                | POSCO Research Institute               | Economic research and consulting            | 23,891               | 4,000,000              | 3,800,000        | 200,000      | 99.41                           | Seoul    | POSCO E&C (1.25)<br>POSTEEL (2.5)<br>POSDATA(1.25) |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Consolidated Subsidiaries,

| Classification | Company name                              | Primary business                 | Shareholders' equity | Number of issued stock | Number of shares |              | Percentage of ownership (%) (a) | location  | Percentage of ownership of subsidiaries |
|----------------|---|----------------------------------|----------------------|------------------------|------------------|--------------|---------------------------------|-----------|---|
|                |   |                                  |                      |                        | POSCO            | subsidiaries |                                 |           |   |
| Domestic       | Seung Kwang Co., Ltd                      | Athletic facilities operation    | W 39,527             | 4,145,000              | 2,737,000        | 1,208,000    | 3,945,000                       | Suncheon  | POSCO E&C (29.14)                       |
|                | POS-AC Co., Ltd                           | Architecture and consultant      | 7,008                | 130,000                | 130,000          | -            | 130,000                         | Seoul     | -                                       |
|                | Changwon Specialty Steel Co., Ltd         | Specialty steel manufacturing    | 360,448              | 30,000,000             | 26,000,000       | 4,000,000    | 30,000,000                      | Changwon  | POSTEEL (6.67)<br>POSCON (6.67)         |
|                | POSCO Machinery Co., Ltd                  | Machinery installation           | 20,451               | 1,000,000              | 1,000,000        | -            | 1,000,000                       | Kwangyang | -                                       |
|                | POSTECH Venture Capital Co., Ltd          | Investment in ventures companies | 33,150               | 6,000,000              | 5,700,000        | -            | 5,700,000                       | Pohang    | 95.00                                   |
| Overseas       | Posco Refractories & Environment (POSREC) | Manufacturing                    | 74,894               | 5,907,000              | 3,544,200        | -            | 3,544,200                       | Pohang    | 60.00                                   |
|                | Pohang Steel America Corporation (POSAM)  | Steel trading                    | 114,334              | 248,284                | 246,529          | 1,755        | 248,284                         | U.S.A     | POSCAN(0.71)                            |
|                | Pohang Steel Austria Pty.Ltd (POSA)       | Steel trading                    | 48,858               | 761,775                | 761,775          | -            | 761,775                         | Austria   | -                                       |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Consolidated Subsidiaries

| Classification | Company name                         | Primary business | Shareholders' equity | Number of issued stock | Number of shares |             | Percentage of ownership (%) (a) | location | Percentage of ownership of subsidiaries |
|----------------|--------------------------------------|------------------|----------------------|------------------------|------------------|-------------|---------------------------------|----------|---|
|                |                                      |                  |                      |                        | POSCO            | subsidaries |                                 |          |   |
| Overseas       | Pohang Steel Canada Ltd (POSCAN)     | Coal mining      | 44,604               | 1,099,885              | -                | 1,099,885   | 95.31                           | Canada   | POSTEEL(100)                            |
|                | POSCO Asia Co., Ltd (POA)            | Steel trading    | 7,943                | 9,360,000              | 9,360,000        | -           | 100.00                          | Hongkong | -                                       |
|                | POSCO International Osaka, Inc (PIO) | Steel trading    | 8,359                | 800                    | -                | 800         | 95.31                           | Japan    | POSTEEL(100)                            |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Consolidated Subsidiaries

| Classification | Company name                                 | Primary business                      | Shareholders' equity | Number of issued stock | Number of shares |              | Percentage of ownership (%) (a) | location | Percentage of ownership of subsidiaries |
|----------------|--|---------------------------------------|----------------------|------------------------|------------------|--------------|---------------------------------|----------|---|
|                |  |                                       |                      |                        | POSCO            | subsidiaries |                                 |          |   |
| Overseas       | VSC-POSCO Steel Corporation (VPS)            | Steel manufacturing                   | ₩ 17,735             | N/A                    | N/A              | N/A          | 39.77                           | Vietnam  | POSTEEL(5) (b)                          |
|                | DALIAN POSCO - CFM Coated Steel Co., Ltd     | Coated steel manufacturing            | 38,378               | N/A                    | N/A              | N/A          | 54.30                           | China    | POSTEEL(15) (b)                         |
|                | POS-Tianjin Coil Center Co., Ltd             | Steel service center                  | 11,135               | N/A                    | N/A              | N/A          | 67.19                           | China    | POSTEEL(60) (b)                         |
|                | POSMETAL Co., Ltd                            | Steel service center                  | 4,296                | 6,000                  | -                | 3,000        | 47.66                           | Japan    | PIO(50)                                 |
|                | Shanghai Real Estate Development Co., Ltd    | Real estate rental                    | 65,089               | N/A                    | N/A              | N/A          | 97.43                           | China    | POSCO E&C (100) (b)                     |
|                | IBC Corporation                              | Real estate rental                    | 11,060               | N/A                    | N/A              | N/A          | 58.46                           | Vietnam  | POSCO E&C (60) (b)                      |
|                | POSLILAMA Steel Structure Co., Ltd           | Steel structure fabrication and sales | (6,208)              | N/A                    | N/A              | N/A          | 67.99                           | Vietnam  | POSCO E&C (60) POSTEEL(10) (b)          |
|                | Zhangjiagang Pohang Stainless Steel Co., Ltd | Stainless steel manufacturing         | 158,030              | N/A                    | N/A              | N/A          | 82.48                           | China    | - (b)                                   |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Consolidated Subsidiaries

| Classification | Company name                              | Primary business           | Shareholders' equity | Number of issued stock | Number of shares |              | Percentage of ownership (%) (a) | location  | Percentage of ownership of subsidiaries                 |
|----------------|---|----------------------------|----------------------|------------------------|------------------|--------------|---------------------------------|-----------|---|
|                |   |                            |                      |                        | POSCO            | subsidiaries |                                 |           |   |
|                | SHUNDE Pohang Coated Steel Co., Ltd       | Coated steel manufacturing | 29,458               | N/A                    | N/A              | N/A          | N/A                             | China     | -   |
|                | POS-THAI Service Steel Center Co., Ltd    | Steel service center       | 6,432                | 8,183,140              | 477,288          | 2,136,208    | 2,613,496                       | Thai      | POSTEEL(52.21)  |
|                | POSCO Venezuela Compania Anonima (POSVEN) | Steel manufacturing        | (121,403)            | 11,200                 | 4,480            | 2,240        | 6,720                           | Venezuela | POSCO E&C (10) POSTEEL(10)                              |
|                | Myanmar-POSCO Co., Ltd                    | Steel manufacturing        | 5,893                | 60,000                 | 42,000           | -            | 42,000                          | Myanmar   | -   |
|                | Zhangjiagang POSHA Steel Port Co., Ltd    | Depot Service              | 8,398                | N/A                    | N/A              | N/A          | N/A                             | China     | POSCO E&C (25) Zhangjiagang phogang stainless steel(65) |
|                | POSCO Investment Co., Ltd                 | Finance                    | 29,417               | 2,000,000              | 2,000,000        | -            | 2,000,000                       | China     | 100.00  |

(a) Percentage of ownership is the sum of direct and indirect percentage of ownership.

(b) These companies are not stock companies, therefore, they do not have outstanding stocks.

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Consolidated Subsidiaries.

Subsidiaries excluded from the consolidated financial statements as of June 30, 2002 are as follows (Millions of Won) :

| Classification | Company name                           | Primary business    | Shareholders' equity | Number of issued stock | Number of shares |              | Percentage of ownership (%) (a) | location  | Percentage of ownership of subsidiaries |       |
|----------------|--|---------------------|----------------------|------------------------|------------------|--------------|---------------------------------|-----------|---|-------|
|                |  |                     |                      |                        | POSCO            | subsidiaries |                                 |           |   | Total |
|                |  |                     |                      |                        |                  |              |                                 |           |   |       |
| Domestic       | MIDUS Information Technologic Co., Ltd | Engineering         | ₩ 4,817              | 334,200                | -                | 866,190      | 25.92                           | Seoul     | POSCO E&C (25.92) (b)                   |       |
|                | CogNotec Korea Co., Ltd                | IT Solution         | 736                  | 200,000                | -                | 80,000       | 40.00                           | Seoul     | POSDATA(40) (b)                         |       |
| Overseas       | PT. POSNESIA Stainless Steel Industry  | STS/CR              | 16,432               | 42,320,000             | 29,610,000       | -            | 70.00                           | Indonesia | - (c) (d)                               |       |
|                | POSEC-HAWAII Inc                       | Construction        | 9,651                | N/A                    | N/A              | N/A          | 97.43                           | Hawaii    | POSCO E&C (100.00) (c) (d) (e)          |       |
|                | POSVINA Co., Ltd                       | Steel manufacturing | 5,082                | N/A                    | N/A              | N/A          | 50.00                           | Vietnam   | - (b) (e)                               |       |

(a) Percentage of ownership is the sum of direct and indirect percentage of ownership

(b) Amount of total assets as of the previous period was less than ₩ 7 billion

(c) As of June 30, 2002, the companies were in liquidation or had been dormant for over 1 year.

(d) Shareholders' equity as of December 31, 2001

(e) These companies are not stock companies, therefore, they do not have outstanding stocks.

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Equity Method Investees -

The following table sets forth certain information with regard to investees consolidated using the equity-method of accounting as of June 30, 2002 (Millions of Won).

| Classification | Company name                     | Primary business    | Shareholders' equity | Number of shares |              | Percentage of ownership (%) (a) | Percentage of ownership of subsidiaries |
|----------------|----------------------------------|---------------------|----------------------|------------------|--------------|---------------------------------|---|
|                |                                  |                     |                      | POSCO            | subsidiaries | Total                           |   |
| Domestic       | The Korea Daily News             | Newspaper           | ₩ 62,097             | 1,863,949        | -            | 1,863,949                       | 22.41                                   |
|                | eNToB                            | E-business          | 11,043               | 560,000          | 180,000      | 740,000                         | 21.82                                   |
| Overseas       | KOBRASCO                         | PELLET              | 4,684                | 1,997,914,774    | -            | 1,997,914,774                   | POS DATA and others (6)                 |
|                | Fujiura Butsuryu Center Co., Ltd | Warehousing         | 2,084                | -                | 600          | 600                             | PIO(30) (b)                             |
|                | USS - POSCO Industries(UPI)      | Material Processing | 229,991              | N/A              | N/A          | N/A                             | POSAM(50) (b)                           |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

1. Consolidated companies, Continued;

Equity Method Investees -

| Classification | Company name                               | Primary business      | Shareholders' equity | Number of shares |             | Percentage of ownership (%) (a) | Percentage of ownership of subsidiaries (b) |
|----------------|--|-----------------------|----------------------|------------------|-------------|---------------------------------|---|
|                |  |                       |                      | POSCO            | subsidaries |                                 |   |
|                | Suzhou Dongshin Color Metal Sheet Co., Ltd | Coloring              | 10,931               | N/A              | N/A         | 28.59                           | POSTEEL(30)                                 |
|                | POSCHROME                                  | Fe-Cr                 | 16,130               | 21,675           | -           | 25.00                           |   |
|                | Shunde Xingpu Steel Center Co., Ltd        | Industrial Processing | 12,943               | N/A              | N/A         | 20.51                           | POSTEEL(10.50)                              |
|                | POS-HYUNDAI                                | Industrial Processing | 4,481                | 2,345,560        | 4,573,838   | 29.50                           | POSTEEL(19.50)                              |

(a) Percentage of ownership is the sum of direct and indirect percentage of ownership

(b) These companies are not stock companies, therefore, they do not have outstanding stocks.

Continued ;

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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**2. Summary of Significant Accounting Policies :**

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below :

Basis of Semi-annual Consolidated Financial Statements Presentation

POSCO and its domestic subsidiaries maintain their official accounting records in Korean Won and prepare statutory non-consolidated financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are not intended for use by for those who are not informed about Korean accounting principles and practices.

The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded description) from the Korean language consolidated financial statements. Some information attached to the Korean language financial statements, but not required for a fair presentation of the POSCO and its domestic subsidiaries' financial position, result of operations or cash flows, is not presented in the accompanying consolidated financial statements.

The preparation of financial statement requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

*Continued :*

## POSCO AND SUBSIDIARIES

### NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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#### 2. Summary of Significant Accounting Policies , Continued:

##### Cash and Cash Equivalents and Short term Financial Instruments

Cash and cash equivalents include cash on hand and in bank accounts with original maturity of three months or less. Investments which are readily convertible into cash within four to twelve months of purchase are classified in the balance sheet as short-term financial instruments. The cost of these investments approximates fair value.

##### Marketable Securities

Marketable equity and debt securities are stated at acquisition cost plus incidental expenses. If the fair value of marketable securities differs from the book value determined by the individual moving average method or weighted average method, marketable securities are stated at fair value and the unrealized gain or loss is reflected in current operations (see "POSCO and its subsidiaries' significant accounting policies).

##### Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibles of individual accounts and prior year collection experience.

##### Inventories

Inventories are stated at the lower of cost or market value, cost being determined by the moving average method or weighted average method, except for materials in transit which are stated at actual cost as determined by the specific identification method (see "POSCO and its subsidiaries' significant accounting policies).

*Continued :*

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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**2. Summary of Significant Accounting Policies , Continued:**

Investments in equity in Affiliated Companies & Other Investments

All investments in equity and debt securities are initially carried at cost, including incidental expenses. The subsequent accounting for investments by the type of security is as follows.

Investments in marketable equity securities of non-controlled investees, classified as other investments, are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of shareholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Investments in non-marketable equity securities of non-controlled investees, classified as other investments, are carried at cost, except for declines in the Company's proportionate ownership of the underlying book value of the invested company which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investments.

Investments in equity securities of companies over which the Company exerts significant control or influence, classified as equity investments in subsidiaries and affiliated companies, are recorded using the equity method accounting. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the invested company are amortized over 5 years using the straight-line method. Under the equity method, the Company records changes in its proportionate ownership of the book value of the invested company as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the invested company.

Investments in debt securities are recorded at acquisition cost. Discounts and premiums of debt securities, purchased for the purpose of holding to maturity, are amortized over the redemption periods of the debt securities using the effective interest rate method and charged to current operations. Declines in fair value of the debt securities anticipated to be permanent are recorded in current operations, and subsequent recoveries are also recorded in current operations up to the original cost of the investment.

*Continued :*

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

2. Summary of Significant Accounting Policies , Continued:

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for upward revaluations in accordance with the Asset Revaluation Law. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful life of the facilities involved are capitalized as additions to property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

| Classification           | Estimated useful lives (years) |
|--------------------------|--------------------------------|
| Buildings and structures | 20 ~ 40                        |
| Machinery and equipment  | 8                              |
| Tools                    | 4                              |
| Vehicles                 | 4                              |
| Furniture an fixtures    | 4                              |

The Company capitalizes interest costs, discount expenses and other finance charges, including certain foreign exchange translation gains and losses on the borrowings associated with the manufacture, purchase, or construction of property, plant and equipment, incurred prior to completing the acquisition as part of the cost of such assets.

Routine maintenance and repairs are charged to expense as incurred. Expenditures with enhance the value or extend the useful life of the related assets are capitalized.

*Continued :*

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**2. Summary of Significant Accounting Policies, Continued:**

Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the useful lives as described below.

| <u>Classification</u>         | <u>Estimated useful lives (years)</u> |
|-------------------------------|---------------------------------------|
| Goodwill, net                 | 5~20                                  |
| Intellectual property rights  | 5~10                                  |
| Port's facilities usage right | 2~37                                  |
| Land usage right              | 40                                    |
| Others                        | 4~20                                  |

Discounts and Premiums on Debentures

The difference between the face amount and the proceeds upon issuance of debenture is treated as either discount or premium, which is amortized over the life of the debenture using the effective interest method. The discount or premium is reported in the balance sheet as a direct deduction from or addition to the face amount of the debenture. Amortization of discount or premium is treated as interest expense.

Valuation of Assets and Liabilities at Present Value

Assets acquired and liabilities incurred through long-term installment transactions and accounts and notes receivable under rescheduled debt payments approved by the judicial courts are stated at present value.

Income Tax Expense

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. In conformity with tax laws, the provision for income taxes of 13 subsidiaries, including overseas subsidiaries, is based on corporate income tax currently payable.

*Continued :*

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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**2. Summary of Significant Accounting Policies, Continued:**

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with POSCO or most of all its subsidiaries, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees terminated their employment as of the balance sheet date

In conformity with related regional laws and regulations of companies, accrued severance benefit of 3 overseas subsidiaries, including POSAM, represent the amount which would be payable upon termination of employment of all eligible employees and directors

A portion of the accrued severance benefits of the domestic companies are funded through a group severance insurance plan. And the amounts funded under this insurance plan are classified as a deduction to accrued severance benefits liability. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act, a certain portion of the accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits liability.

Reserve for Repairs

The Company reserved allowance for special repairs of various furnaces based on their replacement cost, adjusted for future inflation rate over the 15-year replacement cycle of the furnaces. However, during the six-month period ended June 30, 2002, in accordance with the Company's new corporate accounting standards, the Company reversed previously reserved allowance to the beginning balance of retained earnings (Note 19).

*Continued :*

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**2. Summary of Significant Accounting Policies, Continued:**Foreign Currency Translation -

POSCO and its domestic subsidiaries maintain their accounting records in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing exchange rates on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into Korean Won at ₩1,201.8 to US\$1, the market average rate of exchange, as determined by the Bank of Korea based on currency transactions occurring on the day immediately prior to the balance sheet date, as of June 30, 2002.

Translation of Foreign Operations -

Foreign currency assets and liabilities of the Company's overseas business branches and offices are translated at the exchange rate as of the balance sheet date and income and expenses are translated at the weighted average exchange rate of the reporting period. Gains or losses on translation are offset and the net amount is recognized as an overseas operations translation debit or credit in capital adjustments. Overseas operation translation credit or debit is treated as an extraordinary gain or loss upon closing the foreign branch or office.

Derivative Instruments

The Company and its subsidiaries enter into derivatives transactions to hedge against financial risks. Derivatives are classified into; cash flow hedge, hedge for fluctuation of fair market value caused by translation and only acquisition of gains. Other investments represent the fair market value of the net assets or liabilities related with derivatives transactions. In case of cash flow hedge, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet. In case of hedging for fair market value, unrealized holding gains and losses are recorded in the statement of earnings. And, if the contract is expired, the gains and losses on transaction are represented in the statement of earnings in case of hedge for fair market value and are offset with purchasing price of inventories in case of hedge for cash flow.

*Continued :*

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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**2. Summary of Significant Accounting Policies, Continued:**

Earnings Per Share

Earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding (excluding the number of shares held by the Company as treasury stocks), which were 81,900,640 shares for the six-month period ended June 30, 2002.

*Continued :*

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

2. Summary of Significant Accounting Policies, Continued :

POSCO and its subsidiaries' Significant Accounting Policies

| Company name                             | Marketable securities          | Inventories   | Depreciation of Property and Equipment |
|--|--------------------------------|---|--|
| POSCO                                    | Moving average method          | Moving average method                                 | Straight line method                   |
| POSCO E&C                                | Weighted average method        | Specific identification method, Moving average method | Straight line method                   |
| Posteel Co., Ltd                         | Weighted average method        | Moving average method                                 | Straight line method                   |
| POSCON Co., Ltd                          | Moving average method          | Moving average method                                 | Straight line method                   |
| Pohang Steel Co., Ltd                    | Moving average method          | Weighted average method                               | Straight line method                   |
| POSCO Machinery & Engineering Co., Ltd   | Weighted average method        | Specific identification method, Moving average method | Straight line method                   |
| POSDATA Co., Ltd                         | Moving average method          | Moving average method                                 | Straight line method                   |
| POSCO research institute                 | N/A                            | N/A   | Straight line method                   |
| Seung Kwang Co., Ltd                     | Specific identification method | First in First out                                    | Straight line method                   |
| POS-AC Co., Ltd                          | Moving average method          | N/A   | Declining balance method               |
| Changwon sepecially steel Co., Ltd       | Specific identification method | Moving average method                                 | Straight line method                   |
| POSCO Machinery Co., Ltd                 | Weighted average method        | Moving average method                                 | Straight line method                   |
| POSTECH venture capital Co., Ltd         | Moving average method          | N/A   | Declining balance method               |
| Pohang Steel America Corporation (POSAM) | N/A                            | Moving average method                                 | Straight line method                   |
| Pohang Steel Austria Pty.Ltd (POSA)      | Weighted average method        | Weighted average method                               | Straight line method                   |
| Pohang Steel Canada Ltd (POSCAN)         | N/A                            | Weighted average method                               | Straight line method                   |
| POSCO Asia Co., Ltd (POA)                | N/A                            | N/A   | Declining balance method               |

Continued :

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

## 2. Summary of Significant Accounting Policies , Continued :

POSCO and its subsidiaries' Significant Accounting Policies

| Company name                                 | Marketable securities   | Inventories   | Depreciation of Property and Equipment |
|--|-------------------------|---|--|
| POSCO International Osaka, Inc (PIO)         | Moving average method   | Weighted average method                               | Straight line method                   |
| VSC-POSCO Steel Corporation (VPS)            | N/A                     | Moving average method                                 | Straight line method                   |
| Pohang Steel Canada Ltd (POSCAN)             | N/A                     | Weighted average method                               | Straight line method                   |
| DALIAN POSCO – CFM coasted steel Co., Ltd    | N/A                     | Moving average method                                 | Straight line method                   |
| POS-Tianjin coil center Co., Ltd             | N/A                     | Specific identification method, Moving average method | Straight line method                   |
| POSMETAL Co., Ltd                            | N/A                     | Moving average method                                 | Straight line method                   |
| Shanghai real estate development Co., Ltd    | N/A                     | N/A   | Straight line method                   |
| IBC Corporation                              | N/A                     | Specific identification method                        | Straight line method                   |
| POSLILAMA Steel Structure Co., Ltd           | N/A                     | Moving average method                                 | Straight line method                   |
| Zhangjiagang Pohang stainless steel Co., Ltd | N/A                     | Moving average method                                 | Straight line method                   |
| SHUNDE Pohang coated steel Co., Ltd          | Weighted average method | Moving average method                                 | Straight line method                   |
| POS-THAI Service Steel Center Co., Ltd       | N/A                     | Moving average method                                 | Straight line method                   |
| POSCO Venezuela Compania Anonima (POSVEN)    | N/A                     | N/A   | Straight line method                   |
| Myanmar-POSCO Co., Ltd                       | N/A                     | Moving average method                                 | Straight line method                   |
| Zhangjiagang POSHA Steel port Co., Ltd       | N/A                     | Moving average method                                 | Straight line method                   |
| POSCO Investment Co., Ltd                    | N/A                     | N/A   | Straight line method                   |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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**3. United States Dollar Amount:**

The U.S Dollar amounts are provided herein a supplementary information solely for the convenience of the reader. Won amounts in the financial statements for the period ended June 30, 2002 are expressed in U.S. Dollars at the rate of ₩1,201.8:US\$ 1, the rate in effect on June 30, 2002. This presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States and should not be construed as a representation that the Won amounts shown could be readily converted, realized or settled in U.S. Dollars at this or any other rate.

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**4. Cash and Cash Equivalent and Short-term and Long-term Financial Instruments :**

Cash and cash equivalents, and short-term and long-term financial instruments at June 30, 2002 consist of the following :

|  | Annual interest<br>Rates(%) | In Millions of Won |         |
|--|-----------------------------|--------------------|---------|
| <u>Cash and cash equivalents</u>       |                             |                    |         |
| Cash on hand and in bank               | -                           | ₩                  | 77.625  |
| Checking accounts                      | -                           |                    | 75.170  |
| Time deposits                          | 2.5                         |                    | 2.548   |
| Others                                 | 1.1 ~ 5.0                   |                    | 418.292 |
|  |                             |                    | 573.635 |
| <u>Short-term financial instrument</u> |                             |                    |         |
| Installment accounts                   | 8 ~ 8.5                     |                    | 2.487   |
| Time deposits                          | 4.4 ~ 6.3                   |                    | 231.736 |
| Corporate Insurance                    | -                           |                    | 25.000  |
| Specific money deposits                | 5.4 ~ 5.7                   |                    | 15.000  |
| Saving insurance                       | 5.6                         |                    | 3.732   |
| Others                                 | 1.1 ~ 5.0                   |                    | 18.042  |
|  |                             |                    | 295.997 |
| <u>Long-term financial instrument</u>  |                             |                    |         |
| Installment accounts                   | 5.1 ~ 8.5                   |                    | 5.772   |
| Trust deposits                         | -                           |                    | 122     |
| Saving insurance                       | 5.7                         |                    | 1.940   |
| Others                                 | 1.1 ~ 5.0                   |                    | 935     |
|  |                             |                    | 8.769   |
| <u>Other assets</u>                    |                             |                    |         |
| Group severance insurance deposits     |                             |                    | 256     |
|  |                             | ₩                  | 878.657 |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**4. Cash and Cash Equivalent and Short-term and Long-term Financial Instruments :**

As of June 30, 2002, bank deposits of ₩51,679 million are pledged as collateral for certain short-term and long-term borrowings and are subject to restrictions on withdrawal (see Notes 12 and 13). The bank deposits pledged and restricted to withdrawal as of June 30, 2002 comprise the following :

|   | In Millions of Won |
|---|--------------------|
| Bank deposits for checking accounts                           | ₩ 122              |
| Collateral for short-term and long term borrowings            | 38,951             |
| Collateral for prepayment received for construction contracts | 10,556             |
| Safety guarantees   | 452                |
| Employees' welfare insurance deposits                         | 483                |
| Collateral for execution of contract                          | 1,115              |
|   | ₩ 51,679           |

**5. Marketable Securities :**

Marketable securities as of June 30, 2002 consist of the following :

|                             | In Millions of Won |
|-----------------------------|--------------------|
| Beneficiary certificates    | ₩ 366,956          |
| Government and public bonds | 24,895             |
| Money market fund           | 560,532            |
|                             | ₩ 952,383          |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

6. Trade Accounts and Notes and Other Accounts and Notes Receivable :

Trade accounts and notes, and other accounts and notes receivable, and their provision for doubtful accounts as of June 30, 2002 are as follows :

|  | In Millions of Won |                  |
|--|--------------------|------------------|
| <b><u>Current Assets</u></b>           |                    |                  |
| Trade accounts and notes receivable    | ₩                  | 1,583,269        |
| Less : Allowance for doubtful accounts |                    | 24,111           |
| Present value discount                 |                    | 198              |
|  |                    | <u>1,558,960</u> |
| Other accounts and notes receivables   |                    | 196,077          |
| Less : Allowance for doubtful accounts |                    | 2,064            |
|  |                    | <u>194,013</u>   |
|  | ₩                  | <u>1,752,973</u> |

At June 30, 2002, trade accounts and notes receivable and others of ₩ 50,007 million are pledged as collateral for various borrowings from financial institutions (see Notes 12 and 13).

*Continued :*

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

6. Trade Accounts and Notes and Other Accounts and Notes receivable , Continued :

|  | In Millions of Won |                |
|--|--------------------|----------------|
| <b><u>Non-current Assets</u></b>               |                    |                |
| Long-term loans                                | ₩                  | 132,540        |
| Less : Allowance for doubtful accounts         |                    | 3,021          |
| Present value discount                         |                    | 132            |
|  |                    | <u>129,387</u> |
| Long-term trade accounts and notes receivables |                    | 90,530         |
| Less : Allowance for doubtful accounts         |                    | 14,497         |
| Present value discount                         |                    | 20,817         |
|  |                    | <u>55,216</u>  |
|  | ₩                  | <u>184,603</u> |

Accounts which are valued at present value under rescheduled payment and long-term installment transactions are as follows :

|                                    |                             | Millions of Won |                 |                                 |
|------------------------------------|-----------------------------|-----------------|-----------------|---------------------------------|
|                                    | Accounts                    | Face value      | Discount        | Weighted average borrowing rate |
| Long-term installment transactions | Long-term trade receivables | ₩ 504           | ₩ 132           | 7.54~8.42                       |
| Rescheduled                        | Long-term trade receivables | 68,080          | 21,014          | 7.54~9.95                       |
|                                    |                             | <u>₩ 68,584</u> | <u>₩ 21,146</u> |                                 |

The Company recorded discounts on accounts receivable and accounts payable using the Company's weighted average borrowing rate incurred as of the nearest date of the Company's period end.

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

## 7. Inventories:

Inventories as of June 30, 2002 consist of as follows :

|                      | In Millions of Won |           |
|----------------------|--------------------|-----------|
| Finished goods       | ₩                  | 296,269   |
| By-product           |                    | 2,699     |
| Semi-finished goods  |                    | 382,940   |
| Raw materials        |                    | 388,485   |
| Materials in transit |                    | 285,599   |
| Others               |                    | 352,009   |
|                      | ₩                  | 1,708,001 |

## 8. Investment Securities:

Investment securities as of June 30, 2002 consist of the following :

Equity securities

|  | Percentage of ownership (*) | In Millions of Won |                   |            |
|--|-----------------------------|--------------------|-------------------|------------|
|  |                             | Acquisition cost   | Fair market value | Book value |
| <b><u>Investments in publicly traded companies</u></b> |                             |                    |                   |            |
|  |                             | ₩                  | ₩                 | ₩          |
| Hanil Iron Steel Co.,Ltd                               | 9.95%                       | 4,021              | 3,507             | 3,507      |
| MoonBae Steel Co.,Ltd                                  | 9.02%                       | 3,588              | 1,350             | 1,350      |
| Chohung Bank   | 0.03%                       | 3,757              | 758               | 758        |
| Hana Bank  | 3.39%                       | 29,998             | 79,422            | 79,422     |
| Korea Investment Corporation                           | 1.30%                       | 588                | 190               | 190        |
| SK Telecom   | 6.50%                       | 1,657,348          | 1,561,732         | 1,561,732  |
| Samjung Steel Industry Co.,Ltd                         | 9.00%                       | 2,714              | 2,023             | 2,023      |
| DongYang Steel Pipe Co.,Ltd                            | 2.48%                       | 3,911              | 1,181             | 1,181      |
| Nippon Steel Corporation                               | 2.17%                       | 285,102            | 277,775           | 277,775    |
| Treasury Stock Fund(KITC)                              | 7.90%                       | 2,539              | 2,619             | 2,619      |
| Treasury Stock Fund(DITC)                              | 8.35%                       | 2,226              | 2,969             | 2,969      |
| Treasury Stock Fund(HITC)                              | 8.53%                       | 1,823              | 2,677             | 2,677      |
| Treasury Stock Fund(HITC)                              | 13.25%                      | 5,393              | 4,549             | 4,549      |
| Dong Yang  | 0.02%                       | 345                | 32                | 32         |
| DIGTEL   | 8.12%                       | 402                | 107               | 107        |
| Viable Korea   | 0.12%                       | 308                | 78                | 78         |
| Hanshin Construction Co., Ltd                          | 0.01%                       | 3                  | 1                 | 1          |
|  |                             | ₩ 2,004.0          | ₩ 1,940.9         | ₩ 1,940.9  |
|  |                             | 66                 | 70                | 0          |

Continued ;

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**8. Investment Securities , Continued:**

Investment securities as of June 30, 2002 consist of the following :

**Equity securities**

|  | Percentage of ownership(*) | In Millions of Won |                   |             |
|--|----------------------------|--------------------|-------------------|-------------|
|  |                            | Acquisition cost   | Fair market value | Book value  |
| <b><u>Investments in non-publicly traded companies</u></b> |                            |                    |                   |             |
|  |                            | ₩                  |                   | ₩           |
| KiHyup Technical   | 10.34%                     | 3,000              | 3,296             | 3,000       |
| Dakyung  | 19.00%                     | 8,930              | 3,243             | 8,930       |
| Chunnam Professional Soccer Corporation                    | 13.20%                     | 99                 | 131               | 99          |
| Pohang Professional Soccer Corporation                     | 16.67%                     | 200                | 186               | 200         |
| Keoyang shipping   | 0.88%                      | 780                | 749               | 780         |
| Powercomm  | 3.00%                      | 246,000            | 23,877            | 246,000     |
| Poshome  | 3.69%                      | 50                 | 29,369            | 50          |
| Korea economic news  | 0.46%                      | 309                | 188               | 309         |
| Korea Steel news   | 2.67%                      | 20                 | 59                | 20          |
| Global Unity Ltd   | 13.33%                     | 710                | 1,116             | 710         |
| SK IMT   | 12.00%                     | 192,002            | 195,242           | 192,002     |
| The Siam United Steel                                      | 10.00%                     | 26,640             | 4,853             | 26,640      |
| Vinapipe   | 10.60%                     | 290                | 328               | 290         |
| Others   |                            | 102,610            | -                 | 99,816      |
|  |                            | 581,640            |                   | 578,846     |
|  |                            | ₩ 2,585,706        |                   | ₩ 2,519,816 |

Continued ;

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**8. Investment Securities , Continued:**

Investment securities as of June 30,2002 consist of the following :

**Subsidiaries and affiliates companies' securities**

|   | Percentage of ownership(*) | In Millions of Won |                   |            |
|---|----------------------------|--------------------|-------------------|------------|
|   |                            | Acquisition cost   | Fair market value | Book value |
| <b><u>Equity method securities</u></b>      |                            |                    |                   |            |
| Korea Daliy News (**)                       | 22.40%                     | ₩ 19,999           | ₩ 13.9 10         | ₩ 14,636   |
| eNtoB Corporation (**)                      | 21.82%                     | 3,700              | 2,410             | 2,617      |
| KOBRASCO (**)                               | 50.00%                     | 32,950             | 2,342             | 2,087      |
| Fujira Butsuryu Center Co., Ltd.            | 28.59%                     | 632                | 596               | 580        |
| USS-POSCO Industries (**)                   | 49.99%                     | 234,293            | 114,973           | 114,996    |
| Suzhou Dongshin Color Metal Sheet Co., ltd. | 28.59%                     | 2,547              | 3,125             | 3,182      |
| POSCHROME (**)                              | 25.00%                     | 4,859              | 4,032             | 3,789      |
| Shunde Xingpu Steel Center Co., Ltd. (**)   | 20.51%                     | 1,852              | 2,655             | 2,552      |
| POS-HYUNDAI (**)                            | 28.58%                     | 3,136              | 1,281             | 1,271      |
|   |                            | 303,968            | 145,324           | 145,710    |
| <b><u>Cost mehod securities</u></b>         |                            |                    |                   |            |
| PT-Posnesia (***)                           | 70.00%                     | 9,474              | 11,502            | 9,474      |
| PT.KS-Posco (***)                           | 40.00%                     | 6,786              | -                 | -          |
| Posvina (****)                              | 50.00%                     | 1,527              | 2,541             | 1,527      |
| Posec-Hawaii Inc (***)                      | 97.43%                     | 18,878             | 9,403             | 10,133     |
| MIDUS IT. (****)                            | 25.23%                     | 433                | 1,215             | 433        |
| CorgNotec Korea Co., Ltd (****)             | 26.00%                     | 400                | 191               | 400        |
|   |                            | 37,498             | 24,852            | 21,967     |
|   |                            | ₩ 341,466          | ₩ 170,176         | ₩ 167,677  |

(\*) Percentage of ownership is the sum of direct and indirect percentage of ownership.

(\*\*) Book value is determined based on unaudited financial statements.

(\*\*\*) As of June 30, 2002, the Companies were in liquidation or had been dormant for over 1 year. So, the companies are excluded from securities in equity method.

(\*\*\*\*) Total asset amount of the Company in previous year was less than ₩7 billion.

Continued ;

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

8. Investment Securities , Continued:

Others

|   | Percentage of<br>ownership | In Millions of Won |                     |
|---|----------------------------|--------------------|---------------------|
|   |                            | Acquisition cost   | Recorded book value |
| Government and municipal bonds              | -                          | ₩ 11,525           | ₩ 11,525            |
| Financial bonds of Industrial Bank of Korea | -                          | 130,138            | 165,893             |
| Stock Market Stabilization Fund             | 1.15                       | 8,695              | 7,545               |
| Others                                      |                            | 25,302             | 25,302              |
|   |                            | ₩ 175,660          | ₩ 210,265           |

As of June 30, 2002, investments in 5 affiliate companies, including Posvina, were accounted for using the cost method due to certain entities being in liquidation process or due to immaterial effect on the accompanying consolidated financial statements.

In addition, as of June 30, 2002, ₩ 63,061 million of declines in fair value of invested marketable securities, net of ₩ 35 million attributed to minority interest, was charged to other capital adjustments as losses on valuation of investments.

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**9. Property, Plant and Equipment:**

Property, plant and equipment as of June 30, 2002 consist of as follows :

|                                 | In Millions of Won |              |
|---------------------------------|--------------------|--------------|
| Buildings and structures        | ₩                  | 4,683,326    |
| Machinery and equipment         |                    | 17,645,019   |
| Tools                           |                    | 290,778      |
| Vehicles                        |                    | 145,614      |
| Furniture and fixtures          |                    | 166,953      |
|                                 |                    | 22,931,690   |
| Less : Accumulated depreciation |                    | (15,202,618) |
|                                 |                    | 7,729,072    |
| Land                            |                    | 1,260,243    |
| Construction in progress        |                    | 1,401,612    |
|                                 | ₩                  | 10,390,927   |

At June 30, 2002 value of land owned by POSCO and its subsidiaries based on the posted price issued by the Korean tax authority is ₩2,607,994 million.

At June 30, 2002, depreciable assets are insured against fire and other casualty losses, and business interruption losses of up to ₩4,348,030 million.

During 2000, Pohang Steel Co., Ltd. and Changwon Specialty Steel Co., Ltd. revalued their fixed assets, and gain on asset revaluation amounted to ₩100,127 million. Asset revaluation surplus amounting to ₩60,954 million was recorded, net of revaluation tax and net operating loss absorption.

At June 30, 2002, POSDATA has recorded ₩6,143 million of capital lease assets acquired through the lease finance business and the related assets and liabilities are recorded in the balance sheet (Note 14).

At June 30, 2002, a certain portion of the Company's property, plant and equipment, up to a maximum of ₩164,146 million, is pledged as collateral for various borrowings from financial institutions (see Notes 12 and 13).

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**10. Intangible Assets:**

Intangible assets, net of accumulated amortization, as of June 30, 2002 consist of the following :

|                               | In Millions of Won |         |
|-------------------------------|--------------------|---------|
| Goodwill, net                 | ₩                  | 52.401  |
| Intellectual property rights  |                    | 286     |
| Port's facilities usage right |                    | 142.043 |
| Organization costs            |                    | 8.520   |
| Development costs             |                    | 30.283  |
| Land usage right              |                    | 41.131  |
| Others                        |                    | 189.018 |
|                               | ₩                  | 463.682 |

In addition, research and development costs charged to cost of goods sold and sales and administrative expenses for the six-month period ended June 30, 2002 amounted to ₩ 26.734 million and ₩ 8,998 million, respectively. Impairment loss amounting to ₩ 4 million was recognized during the six-month period ended June 30, 2002.

**11. Other Assets:**

Other assets as of June 30, 2002 consist of the following :

|                                    | In Millions of Won |         |
|------------------------------------|--------------------|---------|
| Other current assets               |                    |         |
| Advance payments                   | ₩                  | 17.178  |
| Prepaid expenses                   |                    | 19.135  |
| Others                             |                    | 45.385  |
|                                    |                    | 81.698  |
| Other non-current assets           |                    |         |
| Group severance insurance deposits |                    | 256     |
| Others                             |                    | 81.908  |
|                                    |                    | 82.164  |
|                                    | ₩                  | 163,862 |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

12. Short-term Borrowings:

Short-term borrowings at June 30, 2002 consist of the following :

|  | Annual interest rates(%)     | In Millions of Won            |
|--|------------------------------|-------------------------------|
| Short-term borrowings of domestic subsidiaries                   |                              |                               |
| Short-term borrowings in local currency                          | 4.75 ~ 6.11                  | ₩ 1<br>74,412                 |
| Short-term borrowings of foreign subsidiaries                    |                              |                               |
| Bank overdraft   | 8.25                         | 234                           |
| Short-term borrowings in foreign currency                        | 0.58 ~ 5.85<br>LIBOR+1.1     | 658,738<br>658,972<br>833,384 |
| Current portion of long term debt, net of present value discount | 0.75~10.31<br>LIBOR+0.45~1.1 | 1,204,108                     |
|  |                              | ₩ 2.03<br>7,492               |

Certain bank deposits, and property, plant and equipment are pledged as collateral for the above borrowings (see Notes 3 and 9).

13. Long-term Debt:

Long-term debt at June 30, 2002 consists of the following :

|  | Reference | In Millions of Won |
|--|-----------|--------------------|
| Local currency loans                       | (A)       | ₩ 29,500           |
| Foreign currency loans, in Won equivalents | (B)       | 798,393            |
| Debentures                                 | (C)       | 4,432,753          |
|  |           | 5,260,646          |
| Less : Current maturities                  |           | (1,203,894)        |
| Discount on debentures issued              |           | (28,347)           |
|  |           | ₩ 4,208,405        |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**13. Long-term Debt , Continued:**

Certain bank deposits, and property, plant and equipment are pledged as collateral for the above borrowings (see Notes 3 and 9). In addition, certain foreign currency bank loans contracted prior to July 1987, amounting to ₩ 15,172 million as of June 30, 2002, are covered by guarantees issued by Korea Development Bank and certain bank loans amounting to ₩7,020 million are covered by guarantees issued by State Bank of Vietnam

Discounts on debentures issued are amortized over the life of the debentures using the effective interest rate method.

(A) Loans in local currency at June 30, 2002 consist of the following :

|                         | Annual interest rates (%) | In Millions of Won |         |
|-------------------------|---------------------------|--------------------|---------|
| Korean Development bank | 1.00 ~ 9.90               | ₩                  | 29,500  |
| Less : Current portion  |                           |                    | (2,106) |
|                         |                           | ₩                  | 27,394  |

(B) Loans in foreign currency in Won equivalent at June 30, 2002 consist of the following :

|                             | Annual interest rates(%) | In Millions of Won |           |
|-----------------------------|--------------------------|--------------------|-----------|
| Export-Import bank of Korea | 8.28                     | ₩                  | 7,020     |
| Korea development bank      | 3.30 ~ 5.63              |                    | 6,461     |
| Foreign banks and others    |                          |                    | 784,912   |
|                             |                          |                    | 798,393   |
| Less : Current portion      |                          |                    | (160,903) |
|                             |                          | ₩                  | 637,490   |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

13. Long-term Debt , Continued:

(C) Debentures at June 30, 2002 consist of the following :

|                               | Annual interest rates (%) | In Millions of Won |             |
|-------------------------------|---------------------------|--------------------|-------------|
| Offshore loans                | 4.48~9.00                 | ₩                  | 2,150,000   |
| Yankee bonds                  | 6.63~7.50                 |                    | 1,248,140   |
| Samurai bonds                 | 1.44~1.84                 |                    | 803,608     |
| Others                        | 5.00~10.31                |                    | 231,005     |
| Floating rate notes           | -                         |                    | -           |
|                               |                           |                    | 4,432,753   |
| Less : Current portion        |                           |                    | (1,040,885) |
| Discount on debentures issued |                           |                    | (28,347)    |
|                               |                           | ₩                  | 3,363,521   |

Maturities of long-term debt outstanding, excluding premiums and discounts on debentures, at June 30, 2002 are as follows :

| In Millions of Won   |             |                            |                              |       |           |
|----------------------|-------------|----------------------------|------------------------------|-------|-----------|
|                      | Debtentures | Loans in local<br>currency | Loans in foreign<br>currency | Total |           |
| 2003 .7 ~ 2004.6     | ₩ 1,202,063 | ₩ 1,854                    | ₩ 63,806                     | ₩     | 1,267,723 |
| 2004 .7 ~ 2005.6     | 969,785     | 1,656                      | 480,806                      |       | 1,452,247 |
| 2005 .7 ~ 2006.6     | 707,353     | 1,618                      | 25,363                       |       | 734,334   |
| 2006 .7 ~ 2007.6     | 512,667     | 1,071                      | 19,972                       |       | 533,710   |
| 2007 .7 ~ thereafter | -           | 21,195                     | 47,543                       |       | 68,738    |
|                      | ₩ 3,391,868 | ₩ 27,394                   | ₩ 637,490                    | ₩     | 4,056,752 |

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**14. Capital lease and Operating Lease Agreement:**

(a) Capital Lease

As of June 30, 2002, the Company leases certain tools and equipment under capital lease agreements (acquisition cost of ₩6,143million) with a leasing company. The related assets and liabilities under the capital leases are recognized at the present value of the minimum lease payments over the lease term. For the six-month period ended June 30, 2002, depreciation expense for capital leases was ₩768 million.

Maturities of capital leases at June 30, 2002 are as follows :

|                  | Total | Interest | Principal |
|------------------|-------|----------|-----------|
|                  | ₩     | ₩        | ₩         |
| 2003 .7 ~ 2004.6 | 1,716 | 63       | ,653      |
| 2004 .7 ~ 2005.6 | 143   | 1        | 142       |
|                  | ₩     | ₩        | ₩         |
|                  | 1,859 | 64       | ,795      |

(b) Operating Lease

As of June 30, 2002, the Company leases certain tools and equipment under operating lease agreements with a leasing company. The Company charges the related rent expenses to current operations as incurred. The schedule of future operating lease payments is as follows :

Maturities of operating lease as of June 30, 2002 are as follows :

|                  | In Millions of Won |
|------------------|--------------------|
|                  | ₩                  |
| 2002 .7 ~ 2003.6 | 1,345              |
| 2003 .7 ~ 2004.6 | 7,598              |
| 2004 .7 ~ 2005.6 | 4,408              |
| 2005 .7 ~ 2006.6 | 391                |
|                  | ₩                  |
|                  | 13,742             |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**15. Accrued Severance Benefits:**

Accrued severance benefits as of June 30, 2002 consist of following :

|                                  | In Millions of Won |          |
|----------------------------------|--------------------|----------|
| Accrued severance benefits       | ₩                  | 201,126  |
| Less : National Pension funds    |                    | (2,157)  |
| Less : Severance insurance funds |                    | (77,929) |
|                                  | ₩                  | 121,040  |

**16. Other liabilities:**

Other liabilities as of June 30, 2002 consist of the following:

|                             | In Millions of Won |         |
|-----------------------------|--------------------|---------|
| Other current liabilities   |                    |         |
| Advance receipt             | ₩                  | 25      |
|                             |                    | 7,745   |
| Unearned revenue            |                    | 1,579   |
| Other                       |                    | 65,639  |
|                             |                    | 324,963 |
| Other long term liabilities |                    |         |
| Reserve for liabilities     |                    | 10,571  |
| Other                       |                    | 106,798 |
|                             |                    | 117,369 |
|                             | ₩                  | 44      |
|                             |                    | 2,332   |

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

## 17. Commitments and Contingencies:

As of June 30, 2002 contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of affiliates and related companies are as follows:

| Warrantees                                    | In Millions of Won | Financial institution             | Details                     |
|---|--------------------|-----------------------------------|-----------------------------|
| POSVEN  | ₩ 31,968           | Raytheon                          | Facility Loan               |
| KOBRASCO                                      | 32,054             | Citibank and others               | Borrowings                  |
| VPS   | 3,454              | Credit Lyonnais                   | Facility Loan               |
| POSAM   | 96,144             | Bank of America                   | Operating fund              |
| POS-HUNDAI                                    | 346                | India Development Bank and others | Facility Loan               |
| POS-Investment                                | 132,255            | Sumitomo Bank and others          | Borrowings                  |
| Zhangjiagang Pohang Stainless Steel Co., Ltd. | 26,943             | China Bank                        | Facility Loan               |
| IBC   | 77,383             | Woori Bank                        | Operating and facility Fund |
| Shanghai Real Estate Development Co., Ltd.    | 59,657             | Hana Bank                         | Operating and facility Fund |
| PIO   | 100,451            | Exchange Bank and others          | Operating fund              |
| POS-Tianjin Coil Center Co., Ltd.             | 6,370              | Shinhan Bank                      | Operating and facility Fund |
| POS-THAI                                      | 8,077              | Sumitomo Bank and others          | Operating fund              |
| Suzhou Dongshin Color Metal Sheet Co., Ltd.   | 6,912              | Woori Bank                        | Operating fund              |
| Fujiura Butsuryu Center Co., Ltd.             | 704                | Exchange Bank                     | Borrowings                  |
| POS-HYUNDAI                                   | 1,105              | India Development Bank            | Facility Loan               |
|   | <u>₩ 583,823</u>   |                                   |                             |

As of June 30, 2002, POSCO and POSCO E&C has provided repayment guarantees of loans amounting to ₩214,486 million for 10 Korean companies.

As of June 30, 2002, POSCO has provided 16 blank promissory notes to the Bank of China and other financial institutes, and a bank promissory note of ₩16,211 million to Korea Housing Guarantee Co., Ltd. for outstanding loans.

*Continued:*

**17. Commitments and Contingencies, Continued:**

Notes discounted with banks, on which the Company remains contingently liable, amounted to ₩20,906 million as of June 30, 2002. The Company does not expect to incur any material losses in connection with the above items.

POSCO entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. These contracts generally have terms of 5 to 20 years and provide for periodic price adjustments to then-market price. At June 30, 2002, 165 million tons of iron ore and 33 million tons of coal remained to be purchased under such long-term contracts.

POSCO has guaranteed usage of bulk carriers (with a total weight of 1,646 thousand dead weight ton) with Keo Yang Shipping Co., Ltd. in order to ensure transportation of raw materials through 2010.

The Company is a major defendant in 9 separate law suits amounting to ₩119,575 million. These litigations are pending as of June 30, 2002. The Company's management believes that, although the outcome of these matters are uncertain, the resolution of these matters will not have a material adverse effect on the operations or financial position of the Company

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above.

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**18. Capital surplus:**

Capital surplus as of June 30, 2002 is as follows :

|  | In Millions of Won |                  |
|--|--------------------|------------------|
| Asset revaluation surplus              | ₩                  | 3,240.018        |
| Paid-in capital in excess of par value |                    | 478.198          |
| Gain on capital reduction              |                    | 9.742            |
| Other                                  |                    | 120.876          |
|  | ₩                  | <u>3,848.834</u> |

**19. Retained Earnings:**

Retained earnings as of June 30, 2002 consist of the following :

|                                      | Reference | In Millions of Won |           |
|--------------------------------------|-----------|--------------------|-----------|
| <u>Appropriated</u>                  |           |                    |           |
| Legal reserve                        | (A)       | ₩                  | 241.202   |
| Reserve for business rationalization | (B)       |                    | -         |
| Other legal reserve                  | (C)       |                    | 1.573.166 |
| Voluntary reserve                    |           |                    | 5.102.023 |
| <u>Unappropriated</u>                |           |                    | 1.036.241 |
|                                      |           | ₩                  | 7.952.632 |

(A) The Korean commercial code requires the Company to appropriate as a legal reserve an amount equal to a minimum of 10% of annual cash dividends declared, until the reserve equals 50% of capital stock. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to reduce accumulated deficit, if any.

*Continued :*

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**19. Retained Earnings, Continued:**

- (B) Pursuant to the Korean Tax Exemption and Reduction Control Law, the Company is required to appropriate as a reserve for business rationalization, an amount equal to the reduction of income taxes resulting from various tax credits and certain deductions from taxable income specified by such law. This reserve may be used for the reduction of accumulated deficit, if any, or transferred to capital stock.
- (C) In accordance with the Regulation for Securities Issuance and Disclosure, the Company is required to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50% of the net gain on sale of property, plant and equipment and 10% of net earnings for each year until the Company's net worth equals 30% of total assets. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.
- (D) In accordance with the Company's new corporate accounting standards, the Company reversed previously recorded amounts of reserve for repairs during the six-month period ended June 30, 2002. The effect of these accounting changes increased the beginning balance of retained earnings by ₩717,510 million, and net income for the current period by ₩15,221 million.
- (E) The Company recognized losses amounting to ₩ 51,435 million for the six-month period ended June 30, 2002 for losses in an excess of investments of minorities in POSLILAMA Steel Structure Co., Ltd. and POSCO Venezuela Compania Anonima, consolidated subsidiaries of the Company.

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**20. Capital Adjustment:**

Capital surplus as of June 30, 2002 consists of the following :

|  | In Millions of Won |             |
|--|--------------------|-------------|
| Treasury stock                             | ₩                  | (1,173,291) |
| Discount on stock issuance                 |                    | (18)        |
| Valuation gain on investment securities    |                    | (80,808)    |
| Overseas operations translation adjustment |                    | 130,525     |
| Other                                      |                    | (3,906)     |
|  | ₩                  | (1,127,498) |

As of June 30, 2002, the Company holds 11,662,856 shares of treasury stock.

**21. Stock Option Plan:**

On June 23, 2001 and April 27, 2002, the Company granted stock options to the executive officers of the Company in accordance with the stock option plan approved by the Board of Directors. The details of the stock options granted are as follows :

|                      | June 23, 2001  | April 27, 2002   |
|----------------------|--|--|
| Number of Grantees   | 38   | 6  |
| Exercise price/share | ₩98,400  | ₩135,800   |
| Number of shares     | 498,000 (0.52% of total common stock issued)   | 60,000 (0.06% of total common stock issued)  |
| Exercise period      | June 24, 2004 ~ June 23, 2008  | April 28, 2004 ~ April 27, 2009  |
| Method               | Cash or stock compensation for the difference between exercise price and fair market value of the option | Cash or stock compensation for the difference between exercise price and fair market value of the option |

The Company measured and recognized the stock compensation expense by applying the intrinsic value method. Accordingly, the Company recognized stock compensation expense of ₩8,319 million as selling, general and administrative expense for the six-month period ended June 30, 2002, and recorded ₩11,443 million as deferred compensation expense.

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

22. Derivatives:

Swaps

The Company has entered into cross currency swap agreements with financial institutions to reduce interest rate and currency risk. Swap contracts as of June 30, 2002 are as follows :

|                  | Maturity              | The amount of transaction |                         | Annual interest rate(%) |      |
|------------------|-----------------------|---------------------------|-------------------------|-------------------------|------|
|                  |                       | Receive                   | Pay                     | Receive                 | Pay  |
| Societe Generale | 2002.3.19 ~ 2004.7.15 | \$ 74,000,000             | ¥ 9,725,080,000         | 7.13                    | 2.93 |
| CitiBank         | "                     | 50,000,000                | 6,572,500,000           | "                       | "    |
| Credit Lyonnais  | "                     | 50,000,000                | 6,570,000,000           | "                       | "    |
|                  |                       | <u>\$ 174,000,000</u>     | <u>¥ 22,867,580,000</u> |                         |      |

Valuation gains and losses on currency swap transactions for the six-month period ended June 30, 2002 are as follows :

|                                   | In Millions of Won |
|-----------------------------------|--------------------|
| Losses on currency swap valuation | ₩ (15,816)         |

As of June 30, 2002 the Company has entered into forward currency contracts (long position of USD and short position of JPY) to hedge fluctuation risk of future cash flows. Forward contracts as of June 30, 2002 are as follows:

|                          | Maturity               | Transaction amount      |                        | Contracted exchange rate | Exchange rate at June 30, 2002 |
|--------------------------|------------------------|-------------------------|------------------------|--------------------------|--------------------------------|
|                          |                        | Receive                 | Pay                    |                          |                                |
| Credit Agricole Indosuez | 2002.4.15 ~ 2002.10.31 | \$ 6,914,556.69         | ¥ 900,000,000          | 130.16                   | 119.60                         |
| ING                      | 2002.4.15 ~ 2002.7.31  | 11,454,753.72           | 1,500,000,000          | 130.95                   | 119.64                         |
| Deutsche Bank            | 2002.4.15 ~ 2002.9.30  | 7,663,422.00            | 1,000,000,000          | 130.49                   | 119.10                         |
| Bank of America          | 2002.4.15 ~ 2002.8.30  | 7,647,598.65            | 1,000,000,000          | 130.76                   | 119.28                         |
|                          |                        | <u>\$ 33,680,331.06</u> | <u>¥ 4,400,000,000</u> |                          |                                |

Continued :

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

## 22. Derivatives, Continued:

Forward currency contracts

Valuation gains and losses on forward transactions for the six-month period ended June 30, 2002, included in capital adjustments, are as follows :

|                             | In Millions of Won |
|-----------------------------|--------------------|
| Losses on forward valuation | ₩ (3,906)          |

As of June 30, 2002, the above forward currency contracts all matured and realized gains on transactions were ₩652 million for the six-month period ended June 30, 2002.

As of June 30, 2002, the forward contracts entered into by the Company's subsidiaries, Posteel Co., Ltd, POSCO E&C, Posco Refractories & Environment, and Pohang Steel Co., Ltd., are as follows :

|   | Posteel Co., Ltd                | POSCO E&C                       | Posco Refractories<br>& Environment | Pohang Steel Co.,<br>Ltd |
|---|---------------------------------|---------------------------------|-------------------------------------|--------------------------|
| Transaction Purpose                       | Fair market value<br>risk hedge | Fair market value<br>risk hedge | Fair market value<br>risk hedge     | Acquisition of<br>gains  |
| Financial Institution                     | Hanmi Bank                      | CitiBank                        | Korea<br>Development<br>Bank        | Shinhan Bank             |
|   | In Millions of Won              | In Millions of Won              | In Millions of<br>Won               | In Millions of<br>Won    |
| Gains on currency<br>forward valuation    | ₩ -                             | ₩ 1,892                         | ₩ 10                                | ₩ 5,202                  |
| Losses on currency<br>forward valuation   | -                               | -                               | -                                   | 309                      |
| Gains on currency<br>forward transaction  | 13                              | 2                               | 20                                  | 3,569                    |
| Losses on currency<br>forward transaction | 2                               | 49                              | 7                                   | -                        |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**23. Selling, General and administrative expenses:**

Selling, general and administrative expenses for the six-month period ended June 30, 2002 consists of the following :

|                                   | In Millions of Won |         |
|-----------------------------------|--------------------|---------|
| Salaries                          | ₩                  | 63,272  |
| Severance benefits                |                    | 7,887   |
| Welfare                           |                    | 26,426  |
| Travel                            |                    | 7,160   |
| Utilities                         |                    | 822     |
| Communications                    |                    | 1,800   |
| Taxes and public dues             |                    | 3,895   |
| Subscriptions and printing        |                    | 1,314   |
| Rent                              |                    | 5,528   |
| Depreciation and amortization     |                    | 34,533  |
| Vehicle expenses                  |                    | 2,841   |
| Fees and charges                  |                    | 27,303  |
| Insurance                         |                    | 507     |
| Entertainment                     |                    | 3,740   |
| Research and development expenses |                    | 18,204  |
| Repairs                           |                    | 4,142   |
| Training                          |                    | 4,473   |
| Membership fees                   |                    | 2,945   |
| Office supplies                   |                    | 4,363   |
| Freight                           |                    | 198,782 |
| Provision for doubtful accounts   |                    | 2,574   |
| Sales promotions                  |                    | 2,444   |
| Advertising                       |                    | 19,919  |
| Other                             |                    | 26,770  |
|                                   | ₩                  | 471,644 |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**24. Donations:**

Donations of the Company for the six-month period ended June 30, 2002 consist of the following:

|                                       | In Millions of Won |       |
|---------------------------------------|--------------------|-------|
| POSCO Educational Foundation          | ₩                  | 5,000 |
| Supporting local community and others |                    | 1,529 |
|                                       | ₩                  | 6,529 |

**25. Impairment loss on fixed assets:**

Construction in progress, included in fixed assets, includes capital investments in construction of Kwangyang No2 Minimill. By the resolution of the Board of Directors at a meeting held in May 1998, construction of the Minimill has been ceased due to the economic situation in the Republic of Korea and the Asia pacific region. The Company recognized an impairment loss of ₩50,599 million and ₩49,581 million during the years ended December 31, 2001 and 2000, respectively. The carrying value of the Minimill is ₩132,720 million as of June 30, 2002.

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**26. Income Tax Expense:**

The statutory income tax rate applicable to the Company, including resident surtax, is approximately 29.70%.

Income tax expense for the six-month period ended June, 2002 consists of the following :

|                        | In Millions of Won |          |
|------------------------|--------------------|----------|
| Current income tax     | ₩                  | 186.210  |
| Deferred income tax(*) |                    | (79.813) |
|                        | ₩                  | 106.397  |

(\*) Fourteen foreign subsidiaries did not adopt the deferred method of income tax accounting in calculating income taxes.

The following table reconciles income tax expense computed at the statutory rates to the actual income tax expense recorded by the Company.

|   | In Millions of Won |          |
|---|--------------------|----------|
| Net income before income tax expense          | ₩                  | 384.017  |
| Statutory tax rate (%)                        |                    | 27.00    |
| Income tax expense computed at statutory rate |                    | 103.685  |
| Tax credit of POSCO (**)                      |                    | (35.438) |
| Others, net                                   |                    | 38.150   |
| Income tax expense                            | ₩                  | 106.397  |
| Effective rate (%)                            |                    | 27.71    |

(\*\*) Represents tax credit of POSCO only.

## NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**27. Earnings Per Share:**

Earnings per share and diluted earnings per share for the six-month period ended June 30, 2002 are calculated as follows :

Earnings per share

|   | In Millions of Won |            |
|---|--------------------|------------|
| Net income  | ₩                  | 357,380    |
| Adjustment  |                    |            |
| Dividends for preferred stock                     |                    | -          |
| Net income available for common stock             |                    | 357,380    |
| Weighted average number of shares of common stock | ₩                  | 81,900,640 |
| Earnings per share in Korean Won                  | ₩                  | 4.364      |

Diluted Earnings per share

The compensatory stock option which the Company has awarded has no effect on dilution. Therefore, diluted earnings per share is equal to basic earnings per share.

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

**28. Related Party Transactions:**

Significant transactions between POSCO and consolidated subsidiaries, which have been eliminated on consolidation, for the six-month period ended June 30, 2002 and the related accounts receivable and payable at June 30, 2002 are as follows :

| Company                                     | Sales     | Purchases | Receivables | Payables  |
|---|-----------|-----------|-------------|-----------|
| POSCO E&C                                   | ₩ 1,413   | ₩ 470.698 | ₩ 30.012    | ₩ 64.487  |
| Posteel Co., Ltd                            | 709,538   | 746       | 164,120     | 3         |
| POSCON Co., Ltd                             | 25        | 62,621    | 7,349       | 9,619     |
| Pohang Steel Co., Ltd                       | 106,385   | 697       | 20,563      | 1,137     |
| POSCO Machinery & Engineering Co., Ltd      | 16        | 37,918    | 3,118       | 7,451     |
| POSDATA Co., Ltd                            | 391       | 74,064    | 392         | 21,762    |
| POSCO research institute                    | -         | 3,137     | -           | 24        |
| Seung Kwang Co., Ltd                        | -         | 1         | 583         | -         |
| POS-AC Co., Ltd                             | 200       | 7,826     | -           | 612       |
| Changwon sepecially steel Co., Ltd          | 248       | 25,246    | 3           | 6,646     |
| POSCO Machinery Co., Ltd                    | 1         | 34,160    | 1,086       | 6,901     |
| POSAM                                       | 96,125    | 160       | -           | -         |
| POSA  | -         | 95,899    | -           | 1,300     |
| POSCAN                                      | -         | 21,757    | -           | -         |
| POA   | -         | 33,190    | 4,743       | 1,664     |
| PIO   | -         | 1,372     | 2,320       | 149       |
| DALIAN POSCO - CFM Coated Steel Co., Ltd    | -         | 4         | 290         | -         |
| Zhangjiagang Pohang Stainless Steel Co., Lt | 9         | -         | -           | -         |
| SHUNDE Pohang Coated Steel Co., Ltd         | 2         | -         | -           | -         |
| VPS   | -         | -         | 8           | -         |
| POSVEN                                      | -         | -         | 159,839     | -         |
| POSTECH venture capital Co., Ltd            | 25        | -         | -           | 42        |
| Posco Refractories & Environment            | 13        | 72,226    | -           | 15,347    |
|   | ₩ 914,391 | ₩ 941,722 | ₩ 394,426   | ₩ 137,144 |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

28. Related Party Transactions, Continued:

Significant transactions entered into between POSCO and POSCO's equity-method investees for the six-month period ended June 30, 2002 are as follows:

| Company          | Sales | Purchase | Receivables | Payables |
|------------------|-------|----------|-------------|----------|
| Korea Daily News | ₩ -   | ₩ 107    | ₩ -         | ₩ -      |
| KOBRASCO         | -     | 39,332   | -           | -        |
| POSCHROME        | -     | 10,444   | -           | 216      |
| NtoBe            | -     | 3,742    | -           | 278      |
|                  | ₩ -   | ₩ 53,625 | ₩ -         | ₩ 494    |

Eliminations of inter-company revenues and expenses are as follows :

| Revenues        | In Millions of Won | Expenses           | In Millions of Won |
|-----------------|--------------------|--------------------|--------------------|
| Sales           | ₩ 2,291,498        | Cost of goods sold | ₩ 2,234,242        |
| Interest income | 1,536              | Interest expense   | 1,536              |
| Rental income   | 96                 | SG&A               | 37,603             |
| Others          | 1,828              | Others             | 21,577             |
|                 | ₩ 2,294,958        |                    | ₩ 2,294,958        |

Eliminations of related accounts receivable and payables are as follows :

| Accounts receivable       | In Millions of Won | Accounts payable       | In Millions of Won |
|---------------------------|--------------------|------------------------|--------------------|
| Trade accounts receivable | ₩ 265,470          | Trade accounts payable | ₩ 357,564          |
| Short-term loans          | 6,962              | Short-term borrowings  | 13,400             |
| Other accounts receivable | 99,657             | Other accounts payable | 8,404              |
| Long-term loans           | 46,941             | Long-term borrowings   | 45,224             |
| Others                    | 284,740            | Others                 | 279,178            |
|                           | ₩ 703,770          |                        | ₩ 703,770          |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

29. Segment and Regional Information:

Substantially all of the Company's operations are for the production of steel products. Net sales and non-current assets by geographic area for the six-month period ended June 30, 2002 are as follows:

|   | In Millions of Won |                    |
|---|--------------------|--------------------|
|   | Sales              | Non-current assets |
| Korea                                   | ₩ 5,733,036        | ₩ 12,949,596       |
| Japan                                   | 102,129            | 59,286             |
| China                                   | 486,348            | 548,836            |
| Asia/Pacific, excluding Japan and China | 84,866             | 143,045            |
| North America                           | 32,257             | 162,439            |
| Other                                   | 17,709             | 230,088            |
|   | ₩ 6,456,345        | ₩ 14,093,290       |

Continued :

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

29. Segment and Regional Information, Continued:

The following table provides information on each operating segment as of and for the six-month period ended June 30, 2002.

|   | In Millions of Won |           |           |           |           |                         | Consolidated |
|---|--------------------|-----------|-----------|-----------|-----------|-------------------------|--------------|
|   | Steel              | Trading   | Materials | Financing | Others    | Reconciling adjustments |              |
| et sales:                                   |                    |           |           |           |           |                         |              |
| External customers                          | ₩5,348,445         | ₩800,270  | ₩17,634   | ₩499      | ₩ 340,652 | ₩ (51,155)              | ₩6,456,345   |
| Intersegment                                | 1,035,355          | 439,121   | 67,434    | 10        | 777,698   | (2,319,618)             | -            |
| ost of goods sold:                          |                    |           |           |           |           |                         |              |
| Depreciation                                | 661,686            | 259       | 9,189     | 17        | 26,294    | 42,411                  | 739,856      |
| Others                                      | 4,650,853          | 1,205,713 | 73,701    | 391       | 936,583   | (2,318,561)             | 4,548,680    |
| Gross profit                                | 1,071,261          | 33,419    | 2,178     | 101       | 155,473   | (94,623)                | 1,167,809    |
| lling, general and administrative expenses: |                    |           |           |           |           |                         |              |
| Depreciation and amortization               | 19,112             | 1,890     | 6,355     | 16        | 5,232     | 1,928                   | 34,533       |
| Others                                      | 377,795            | 23,406    | 2,395     | 408       | 68,851    | (35,744)                | 437,111      |
| perating income                             | 674,354            | 8,123     | (6,572)   | (323)     | 81,390    | (60,807)                | 696,165      |
| terest and dividend come                    | 25,497             | 3,385     | 647       | 3,974     | 8,793     | (2,246)                 | 40,050       |
| terest expense                              | 163,701            | 4,152     | 150       | 1,428     | 7,581     | (2,205)                 | 174,807      |
| her income, net                             | (31,072)           | (8,153)   | (213,471) | 1,159     | (23,544)  | 97,690                  | (177,391)    |
| arnings before income es                    | 505,078            | (797)     | (219,546) | 3,382     | 59,058    | 36,842                  | 384,017      |
| come taxes                                  | 95,731             | (3,570)   | 2,777     | 150       | 11,309    | -                       | 106,397      |
| gment net earnings                          | 409,347            | 2,773     | (222,323) | 3,232     | 47,749    | 36,842                  | 277,620      |
| tal assets                                  | 18,910,167         | 979,172   | 310,882   | 196,847   | 2,091,642 | (3,024,072)             | 19,457,977   |

POSCO AND SUBSIDIARIES

NOTES TO SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, Continued

June 30, 2002

(See independent accountants' review report)

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30. Adherence to Protection of Environment:

POSCO has been qualified as an 'Environmentally Friendly' company by the government and has held the ISO 14001 certificate since 1996. POSCO has invested ₩27,794 million, or 9.1 percent of total facility investment, in environmental facilities during the six-month period ended June 30, 2002.